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JPRS-CRF-85-025

23 December 1985

China Report

RED FLAG

No 20, 16 October 1985

19991221 111

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23 December 1985

CHINA REPORT

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No 20, 16 OCTOBER 1985

Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

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IT IS NECESSARY TO BOOST THE BUILDING OF SPIRITUAL CIVILIZATION

Beijing RED FLAG in Chinese No 20, 16 Oct 85 p 2

["Forum"]

[Text] Socialist spiritual civilization must make simultaneous progress with material civilization. If an imbalance occurs in their development, the socialist cause will fail to make healthy progress. In recent years we have carried out reform and our economy has been opened up domestically and to the outside world. As a result, production has increased and important experience has been gained in the building of material civilization. However, the results of the building of spiritual civilization have not been so ideal. The decadent ideas and style that are corrupting party style and the social atmosphere have not been effectively resisted and checked. They are still harming our socialist construction and impeding the smooth progress of reforms. All this demonstrates the correctness of the view that as long as a good job is done in building material civilization, the building of spiritual civilization will naturally be done well. We must improve the building of spiritual civilization. It is necessary to earnestly sum up the experience gained in building spiritual civilization and to explore the laws governing ideological and political work. We should accumulate and create experience in building material civilization and spiritual civilization. Only when experiences are gained in building both civilizations will complete experience in building socialism with Chinese characteristics be gained and will greater contributions be made to the entire communist movement.

Conducting spiritual civilization involves two aspects: one is giving positive guidance, and the other is to guard against unhealthy tendencies and to punish wrongdoing. Giving positive guidance means to conduct ideological and educational work that is concise, of ideological value, and convincing, by tying it to the actual conditions of the day and adopting active and varied measures. It also means to create more and better spiritual works to occupy the field with socialist ideology and culture, and to help more and more members of society become workers who have lofty ideals, morals, culture, and discipline by using the approach of positive education. Guarding against unhealthy tendencies and punishing wrongdoing means that decadent bourgeois and feudal ideas should not go unchecked and must be resisted and struggled against; that ugly phenomena which corrupt party style and the social

atmosphere must be checked and banned; and that conduct in serious violations of discipline must be dealt with in line with disciplinary rules and those violating the law must be punished according to the law. Positive guidance aims to help people purify their souls and be elevated in their spiritual world. The punishment of wrongdoing aims to improve the spiritual environment in order to protect the healthy development of people's bodies and minds; neither is indispensable. Stress on guidance alone without due punishment to those deserving it, and stress on education alone without exercising the law will seriously affect the results of education. Only when the two aspects are linked well will it be possible to punish and do away with evil and to support and bring forward good.

Some localities lack the power of attraction in their work of giving guidance, and healthy spiritual work inspiring the will to struggle, and rich and colorful cultural and recreational activities are far too few in number and fail to meet the needs of the masses. Their ideological measures are monotonous and their style inappropriate. These should be improved. Some party member cadres have failed to play an exemplary role, and their deeds do not square with their words. The result has been extremely negative. They are most eloquent in their speech, but what they are doing is something else.

How can they convince the masses? Only those with lofty ideals who talk about ideals, and those who observe discipline and who then talk about discipline, especially those who perform exemplary deeds and thus educate others in the same age bracket, will be most touching and convincing. Some localities have not been powerful enough in the crackdown on unhealthy tendencies and not severe enough in meting out punishment. The reason is that they have succumbed to those who are influential and shrunk from dealing with those who have an important background. Some of them have gone in for favoritism and malpractices, violating the law while supposedly exercising it. Others have replaced personal feelings for principles, and improper connections for socialist principles. Therefore, in grasping the two aspects regarding spiritual civilization, we should start from the party itself and do a good job in solving the party style and problems among party members and leading cadres.

In order to do a good job in the building of spiritual civilization, it is necessary to organically link education about having lofty ideals, morals, culture, and discipline with reforms and construction. While implementing the policy of opening up to the outside world, it is necessary to restrict to the maximum degree, to effectively guard against, and to resolutely resist the corrosive influence of decadent bourgeois ideas. While invigorating the economy and developing commodity production, it is necessary to strengthen planning and administration in a down-to-earth way and to guard against and resist the invasion of the principle of commodity exchange and the capitalist concept of value into the party's political life. While strengthening ideological and political work, it is necessary to enhance the legal system. Only then will it be possible to realize a basic change for the better in party style and the social atmosphere according to the criteria and schedule as determined by the Central Committee.

A NUMBER OF QUESTIONS CONCERNING PARTY RECTIFICATION AND BUILDING PARTY ORGANIZATIONS

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 3-7

[Speech by Bo Yibo in Yantai, Shandong Province on 30 July; first paragraph is RED FLAG introduction]

[Text] This is a speech made by Comrade Bo Yibo on 30 July this year while inspecting the work of party rectification in Yantai, Shandong Province. This speech is very important and will greatly help us have a deep understanding of the guiding ideology of the recent National Conference of Party Delegates concerning the improvement of the party style, the strengthening of the party's ideological and political work, the building of party ranks, the strengthening of the building of socialist spiritual civilization, and other things. Therefore, we have published it with some deletions and alterations made by the author in the contents and in wording.

First, the Party Must Greatly Strengthen Its Own Building in the New Historical Period

Our party, which is commonly known as the ruling party, plays the leading role in state and social affairs. We must clearly understand that this ruling party is significantly different from what it was during the revolutionary war period, when it had yet to win political power.

In the past, the party's task was to lead the people in overthrowing the three big mountains, overthrowing reactionary rule, and seizing state power throughout the country. At present, the task of the party is to lead the people of all nationalities throughout the country in striving to develop social productive forces, to shake off as quickly as possible the state of poverty left over from the past, and to make the country prosperous and the people affluent on the premise of adhering to the four basic principles, making use of the strength of the state power under the people's democratic dictatorship, and giving play to the superiority of the socialist system. Comrades of the whole party are shouldering the great historic mission of accomplishing this.

In the past, when Communist Party members were subjected to the reactionary regime's oppression, their participation in the revolution was extremely

risky. In those days, when life was extremely hard, the overwhelming majority of party members voluntarily abided by party discipline and fought heroically for the victory of the revolution and for the lofty ideal of realizing communism. Today, many party members hold authority of all kinds, and their living conditions and positions have both changed. How to use the authority in their hands correctly has become a problem subject to constant tests. In an environment of prolonged peace, it is easy for some people, who only want to "enjoy" the benefits of being members of a ruling party and not to serve the people or work selflessly or sacrifice for achieving the communist ideals, to worm their way into the party. Among the veteran party members, a small number of people have also come to think differently, and their party spirit today is not as strong as before. Under such circumstances, the phenomena of ignoring the just cause at the sight of benefits and of seeking personal gains by taking advantage of authority have appeared, and so has the phenomenon of "putting money above everything else." The phenomenon of stopping at nothing to get money has also appeared. Some people unscrupulously try to get money at the expense of their personal dignity and the dignity of the country. They even murder people for their money. Abominable bureaucratic behavior has spread much wider. A small number of party-member cadres have acted like overlords, and one or two party committees have also built a network of special relations with other party committees so that they can protect one another, bending the law to benefit friends and relatives. Such phenomena of doing harm to the party style and general social practice have seriously tarnished the party's prestige and image, seriously weakened the party's leadership and combatworthiness, and seriously affected party-people relations. Infuriated by such phenomena, the masses have strongly demanded that the party, the government, and the people's courts take resolute action to punish all the black sheep who have the appearance of party members but who are undermining the socialist cause.

Although the number of party members was small in the past, their quality was good, the ranks were in good order, and they were very combatworthy. During the period of the great revolution, there were only a little more than 10,000 party members at the beginning and the number never exceeded 58,000 later. Nevertheless, the party was able to lead the spectacular Northern Expedition. After the failure of the great revolution, there were only 10,000 party members left, who upheld the party's program of struggle and the banner of the revolution. Under extremely difficult conditions, they founded the Red Army and established the soviet state power. During the second revolutionary civil war period, the number of party members increased to 300,000 and the army increased to 300,000 soldiers. In the early stages of the anti-Japanese war, there were only 4 million party members, but we persisted in fighting the enemy in the rear and finally won victory in the war. In the beginning of the war of liberation, there were only about 1.3 million party members.

It was precisely by relying on this contingent of party members that our party succeeded in leading the people of the whole country to defeat Chiang Kai-shek and found new China. Today the number of our party members exceeds 42 million. Although the mainstream within the ranks of party members is generally good, we must realize that many party members are not competent

enough to meet the requirements presented by the historical task of the new period. Judged by the criteria for party members, a considerable number of party members are unqualified or basically unqualified. At present, in particular, at an important moment when the party Central Committee is leading the 1 billion people in going all out to make the country strong, rejuvenating the nation, and courageously forging ahead in building socialism with Chinese characteristics, negative phenomena of interfering with reforms and the four modernizations have appeared within the party. This cannot fail to catch our serious attention. The cause of these negative phenomena is mainly the pernicious influence of the "Great Cultural Revolution," which has lowered the quality of some party members. Another important reason is that the ideological and political work in some areas and departments has been weak for a long time. Because of such phenomena, we must, during and after the current party rectification, carry out a general and thoroughgoing education among the broad masses of party members on communist ideals, basic Marxist theory, basic party knowledge, and, above all, party spirit. This is an important matter that brooks no delay.

Of course, in making the comparisons above, I do not mean that our party today is not as good as it was before. I just want to say that, if our party fails to strengthen and improve itself while exercising its rule, if we do not have thousands and millions of party members with ideals, a sense of discipline, and a strong party spirit, and if we do not have a good party style, our reforms and the policy of opening to the outside world will not be successful, and the party's historical task of building our country into a prosperous and democratic socialist country with a high culture will not be accomplished. In this sense, it is not at all easy to become good party members or good cadres of a ruling party because the requirements set for them are so much higher in various fields today than those during the revolutionary war period, and so we must not relax our efforts in this regard.

At the oath-taking ceremony of new party members held by the party committee of state organs on "7 July" this year, I was asked to say a few words. I quoted three sentences. The first was said by Fan Zhongyan of the Song Dynasty: "Be the first to show concern for state affairs and the last to enjoy comfort." The second was said by Dr Sun Yat-sen at the commencement of the first batch of cadets from the Guangxi Military School: "We must resolve to do something important but not to become high officials." The third was written by Lenin in October 1919 in his article "The Workers' State and Party Week": It is necessary "to purge the party of those who are only 'out for' the benefits accruing to membership of a government party and do not want to bear the burden of devoted work on behalf of communism." I think that the last sentence has the deepest significance.

Fundamentally speaking, the ongoing party rectification is meant to resolve the problems within the party, namely, lax discipline and impurities in thinking, work style, and organization, and to increase the party's combat capacity in order to lay a good foundation for party building in the new period. This has a bearing on the success or failure of the reform and of the cause of socialist modernization. In the course of party rectification, each party member must realize that the new policies our party has formulated and

implemented on the basis of setting things in order since the 3d Plenary Session of the 11th CPC Central Committee are entirely correct; and that they are meant for significantly developing our nation's productive forces, promoting the entire socialist cause, and improving the people's living standard, so that our country's socialist system can be developed and perfected on that basis. Our work in all fields has been carried out around the great objective of building a prosperous and strong country with an affluent people. Indeed, a lot of work was done during the first-stage party rectification and positive results were achieved. But we should not overestimate them and this can be demonstrated by the new, serious unhealthy practices appearing toward the end of the first-stage party rectification. During second-stage party rectification, we should enhance our achievements, overcome our shortcomings, draw on the experience and lessons gained during first-stage party rectification, make great efforts to carry out education in party spirit, lofty ideals, and a sense of discipline and improve the quality of party members. The Communist Party must always maintain the nature of the vanguard of the proletariat. The current great undertakings of reform, opening to the outside world, and invigorating the economy under the leadership of our party are a rigorous test for every party member. Party members and cadres with party membership on all fronts should conscientiously pay attention to tempering themselves in the party spirit. The party Constitution clearly stipulates: "Members of the Communist Party of China must serve the people wholeheartedly, dedicate their whole life to the realization of communism, and be ready to make any personal sacrifices." In order to reach this standard, they should first and at least have lofty ideals, moral integrity, culture and a sense of discipline, particularly ideals and a sense of discipline. Otherwise, they are not even qualified to be model citizens, much less party members. At present, the momentum of reform is good and initial results have been achieved. The economic situation is very good. Some problems appeared at the end of last year but measures were immediately taken after they were discovered and the situation has been gradually stabilized in the past 6 months. This shows that we have substantial capacity to bear economic pressure. Of course, under no circumstances should we lightly treat the various problems emerging in the course of advance. We must soberly know that the good situation can become bad if we fail to properly handle those problems meriting serious attention, and particularly if our party does not have a number of party members who can resist both spiritual and material corruption under any circumstances.

A communist must have lofty ideals, a sense of discipline, and strong party spirit. These are the essential things for judging whether a party member is qualified or not. Party organizations at all levels must strengthen education on party spirit and regard it as a major event which should be regularly attended to. They must grasp it assiduously and tenaciously. A famous saying of Engels goes: "It is a matter of course to judge of a man not by his professions, but by his actions; not by what he pretends to be, but by what he does and what he really is." ("Collected Works of Marx and Engels," Vol 1, p 579) The party spirit of a party member cannot be judged by what he says alone but by what he does as well. Party spirit is expressed in his daily words and actions.

Second, To Oppose Bourgeois Liberalization and Intensify Ideological and Political Work

In dealing with erroneous thinking or erroneous tendencies in the party, our party's principle has always been, and still is, to proceed from reality to solve the problem, regardless of whether the problem is "leftist" or rightist in nature. We must continue to eliminate "leftist" influence left over by the "Great Cultural Revolution," and to implement various policies of the party--the policy toward the intellectuals in particular. We must draw on past lessons. We must oppose whatever erroneous tendency has appeared. However, we must not launch any campaign or magnify problems. There are problems that cannot and need not be classified as "leftist" or rightist.

During the first-stage party rectification, we carried out widespread education to negate completely the "Great Cultural Revolution" and eliminate "leftist" influence, and the education yielded good effects. During second-stage party rectification, we should continue to pay attention to solving such problems. At the same time, we should guard against, and oppose, rightist ideals, which might appear, or have already appeared, under the new situation. Examples of the latter are bourgeois liberalism, "putting money above all else," taking advantage of one's power to seek private interests, seeking private gain at public expense, moral degeneration, worshipping foreign things and flattering foreigners, disregard of national and human dignity, and so on. How can we not oppose them? We must oppose them. However, we must oppose them in an appropriate manner and should not magnify problems. The principle and policy of "preventing spiritual pollution in ideological fronts" is absolutely correct. Some fruitful work has been done for some time. The shortcoming is that some localities and units have, over a certain period, adopted some inappropriate methods and the tendency of magnifying problems once appeared. However, the duration of such practices was not long and they were corrected by the Central Committee once they were discovered. From now on, it should be stressed that spiritual pollution should be stopped at all times on ideological fronts and only methods that will not lead to past shortcomings should be used. Much painstaking work is needed in handling any kind of ideological problem. Education through practice is needed and oversimplification should be guarded against.

Since the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping has repeatedly stressed that under new historical conditions, we must grasp two aspects. We must grasp reform and the policy of opening to the outside world and enlivening the domestic economy. We must also grasp the work of cracking down on economic crimes and other criminal activities. Recently, he has particularly emphasized the need to strengthen ideological and political work, another very important aspect which cannot be relaxed or forgotten at any time.

The most important ingredients of such work are to carry out education in upholding the four cardinal principles and in "having lofty ideals, moral integrity, education, and a sense of discipline," to oppose, and resist, corruption by decadent capitalist and feudalist thinking, and to oppose bourgeois liberalization. At present, there are actually an extremely small

number of people who are spreading ideas of bourgeois liberalism. Among them are some party members. We should exercise patience in helping these people and should not use the big stick on them. Nevertheless, we must distinguish right from wrong ideologically and politically and must solemnly point out what they say is wrong.

Not long ago, Comrade Deng Xiaoping pointed out: "The 3d Plenary Session of the 11th CPC Central Committee decided to implement the policy of opening to the outside world and at the same time demanded an end to the tendency of liberalization. These are correlated. If we do not stop the tendency of liberalization, we cannot implement the policy of opening to the outside world. Currently, liberalist thinking exists, not only in society, but also in our Communist Party. In order to undertake the four modernizations and pursue the policy of opening to the outside world, we must not practice liberalism. The trend of liberalization will disorganize our undertakings. In short, we have an objective--that is, to have a stable political environment. Nothing can be done if we do not have a stable political environment, and this is a big truth in the governing of a country. This big truth overrides many small truths, because the small truths won't work without a stable political environment even though they are reasonable." The principle of "letting a hundred flowers blossom and a hundred schools of thought contend" put forward by our party remains unchanged and it will not be changed. However, we must oppose bourgeois liberalism and views and activities that oppose the four basic principles. Ours is a socialist country under the people's democratic dictatorship and practicing capitalism is not permitted. Comrade Deng Xiaoping also said: "In our country, to practice bourgeois liberalism is to take the capitalist road," and "then, our society will become disorderly and unstable and we shall accomplish nothing in construction; and to us, this is a very crucial matter of principle." This is a solemn declaration, telling people that we must persistently take the socialist road from beginning to end, and oppose any tendencies, words, or deeds in taking the capitalist road. This political orientation for our national and social development should never change until we fulfill our ultimate aim of realizing communism.

Currently there is another problem that merits attention--that is, the spread of small journals and books publicizing unhealthy things, and particularly handwritten copies of pornographic stories, pictures, videos, and videos about absurd superstitions and rascally "swordsmen." Those bad things are not only interfering with the building of socialist spiritual and material civilizations and reform, but are also seriously detrimental to public order. Such a situation is a reflection of the faintheartedness of ideological and political work in some localities and organizations. It is even more serious that some of our leading organs and cadres have been showing weakness and incapability since these pornographic and bad items became rampant in poisoning the people, particularly the youngsters. Currently, such problems have aroused our attention, and all localities are taking positive measures to solve them. We should notice that, although the pornographic videos and other obscene items have been banned by the State Council in explicit orders, some unhealthy small journals, books, and martial art videos look legitimate because they do not barefacedly publicize obscenity, but, in fact, publicize something about feudal underworld gang "justice" and patriarchal clanship of

the old society, matters of bad taste that lure people to degeneration and to commit crimes. Those very unhealthy things are obstructing people from undertaking socialist modernization, from building socialism with Chinese characteristics, and from building socialist spiritual civilization. If we do not overcome them, they will inevitably lead people astray. Comrade Hu Yaobang, in a recent speech, quoted a passage from Lenin, reminding us that we should never stuff people's minds with "spiritual garbage," which is "90 percent useless and 10 percent distortion," leading people to bad taste, and that we should make people, particularly the young, cultivate high values and work hard for China's rejuvenation. We must step up the building of socialist spiritual civilization, resolutely oppose corruption by decadent capitalist and feudal thinking, and help people, especially the young, resist such corruption. We must take effective measures to resolutely put things in order and ban those reactionary, pornographic, and bad-taste videos, books, journals, and tabloids. At the same time, we should earnestly strengthen our routine ideological and political work, and conduct thorough education in patriotic, collective, socialist, and communist ideas among party members and the people. We should lead them in resolutely building spiritual and material civilization at the same time and in striving for China's rejuvenation.

Third, the Relationship Between Party Rectification and Reform Must Be Correctly Handled

We are undertaking party rectification, while we are carrying out reform, opening to the outside world, and invigorating our economy. Under such a new situation, we need to have a profound understanding of many new things. For example: The ideas put forward by the party Central Committee that some people and some localities should be allowed to become prosperous first; that the state-run economy, the collective economy, and the individual economy, which is a necessary supplement to the first two, should coexist for a long time to come and that individuals can do businesses and run enterprises within the scope permitted by the state law and policies; and that it is necessary to make efforts to develop the socialist planned commodity economy, and so on. Regarding the contents, nature, and significance of these ideas, we must have a clear understanding and further deepen our understanding in the course of practice. Comrade Deng Xiaoping has pointed out: "The four modernizations, which we are undertaking, are socialist modernizations, not other modernizations." In building socialism, we must uphold public ownership as its mainstay, and go for common prosperity. We should never cause polarization and give rise to a new bourgeoisie. Comrade Chen Yun has also pointed out: "The economic construction being undertaken by our country, under the leadership of the party Central Committee, is /socialist/ [word within slantlines published with underlining] economic construction, and the economic structural reform is /socialist/ economic structural reform. Every Communist Party member must keep firmly in mind at all times that we are undertaking four socialist modernizations, not other modernizations. Our undertakings are socialist undertakings." We shall likely go astray if we do not understand and handle in this way our ongoing reform and economic work, if we fail to straighten out our thinking, and fill our mind with socialist ideology, and if we even regard capitalist things as socialist.

As party rectification is undertaken while we are carrying out reform, we should constantly pay attention to handling the relationship between party rectification and reform well. Reform is in the interest of the whole. Party rectification must ensure and promote reform, and we must be very definite and firm about this point. Reform is indispensable. If we do not carry out reform, our socialist economy will not develop in a sustained, steady, and coordinated manner, and it will be difficult for us to attain the magnificent goals of quadrupling the gross annual output in the industrial and agricultural production by the end of this century, and catching up with or getting close to the level of the world's economically developed countries. We must resolutely implement the policy of "Be steadfast, be prudent in fighting the first battle, and be sure to win" formulated by the party Central Committee, and carry out the reform well. Party rectification and all other work must be subordinate to and serve this issue, which is in the interest of the overall situation. At the same time, we should, in the course of reform, constantly pay attention to educating all comrades in our party and all people in our country to have lofty ideals, moral integrity, culture and a sense of discipline, especially lofty ideals and a sense of discipline. Such an education is also in the interest of the whole, because it is a necessary and extremely important ideological and political condition for ensuring and promoting reform. If we fail to do a good job in party rectification, if no marked results are obtained in rectifying the party's ideology, work style, discipline, and organizations, and if the party's style is not correctly set, it will be impossible for reform to proceed smoothly. In that case, reform will deviate from its correct direction, and will encounter boycotts, distortion, and sabotage by various "counter-measures," and some will violate law and discipline in the name of "reform" at the expense of the country and the people. It is wrong to think of party rectification as conflicting with reform. It is also wrong to regard party rectification and the efforts to reform, open to the outside world, and enliven the economy as the same thing, and slacken efforts for party rectification.

In the first stage of party rectification, the Central Commission for Guiding Party Rectification pointed out that it was necessary to follow the correct guidelines on professional work as an important aspect in achieving ideological unity. Practical experience has proven this decision to be correct, and positive results have been achieved in this regard. However, when we summed up the work of first-stage party rectification, we also discovered this problem: Some units paid attention to "following the correct guidelines on professional work" for a while but failed to satisfactorily accomplish other tasks in party rectification. It is very necessary to follow the correct guidelines on professional work, but this cannot substitute for carrying out other tasks in party rectification. One actually cannot effectively follow the correct guidelines on professional work if one does not link such guidelines with other aspects in the achievement of ideological unity and with work in the rectification of party style, the strengthening of party discipline, and the consolidation of party organizations; and one actually cannot do so without strengthening one's party spirit, improving one's party style, strengthening one's sense of organization and discipline, and stepping up ideological and political work. As Comrade Hu Yaobang

pointed out in a recent speech: "It will not do if attention is paid only to professional work and not to political thinking. We have corrected the guidelines on professional work in the course of party rectification over the past 2 years, and this is of great significance for us to have gotten our work on all fronts into the orbit of really serving the drive for socialist modernization. At the same time, however, many localities and departments have paid attention only to following the correct guidelines on professional work, without linking their doing so with the strengthening of party spirit. Such being the case, it is impossible for them to have a correct concept of party spirit and is thereby very difficult for them to follow the correct guidelines on professional work." This should attract the attention of party committees at all levels, and they should conscientiously attach great importance to it.

In order to lead the ongoing education on ideals and discipline in intensity throughout the party, to fundamentally deepen party members' concept of party spirit, and to increase the party's combat capacity, the Central Commission for Guiding Party Rectification has decided to regard Comrade Deng Xiaoping's five recent important speeches and Comrade Chen Yun's important speech at the national conference for exchanging experience in improving party style on 29 June as documents for study during party rectification and as documents for guiding work in consolidating the fruits of party rectification and for guiding routine ideological and political work. After reading these documents, I have been greatly enlightened on two points. One is that we must educate the broad masses of people inside and outside the party and our future generations to foster lofty communist ideals and not to become captives of the decadent capitalist ideology. Another is that our practices of opening to the outside world, using foreign funds, and allowing some people and some localities to become prosperous first are based from beginning to end on the socialist public ownership and on common prosperity and that the purpose of opening to the outside world, enlivening the economy, and conducting economic structural reform is to develop the socialist economy. Party committees at all levels must organize all party members to properly study these important speeches by Comrades Deng Xiaoping and Chen Yun, to understand their essence, and to implement their guidelines in all work and actions.

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CSO: 4004/21

CORRECTLY UNDERSTAND AND HANDLE THE RELATIONSHIP BETWEEN REFORM AND CONSTRUCTION

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 8-12

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[Text] The tide of reform is now surging, giving a great impetus to the socialist modernization of China and changing the face of our great motherland every day.

At present and for some time in the future, more thoroughly and correctly understanding and handling the relationship between reform and construction and continuing to smoothly carry out various reforms will be a major issue which has an important bearing on the situation of the country's economic and social development. The far-reaching historical significance of the newly published "Proposal of the CPC Central Committee for the Seventh 5-Year Plan for National Economic and Social Development" (hereinafter called the "Proposal" for short) partly lies in that it has provided us with the correct direction and principles to be followed in understanding and handling this issue.

How then should we understand and handle the relationship between reform and construction in light of the guidelines laid down by the "Proposal"?

1. IN THE FINAL ANALYSIS, REFORM SERVES CONSTRUCTION, AND BOTH REFORM AND CONSTRUCTION HAVE AN IDENTICAL PURPOSE. THEREFORE, WITH OUR DEFINITE ABILITY, WE MUST ENSURE THAT REFORM AND CONSTRUCTION CONFORM TO EACH OTHER AND HELP EACH OTHER ADVANCE, SO AS TO PRESS ON WITH THE HEALTHY ECONOMIC AND SOCIAL DEVELOPMENT IN CHINA.

The party's general line and general task, in other words, the general goal that the people of all China are to strive for in unison in the new historical period, is to progressively realize the modernization of industry, agriculture, national defense, and science and technology, and to strive to build our country into a socialist power with a high degree of civilization and democracy. The key to the fulfillment of this task lies in our efforts to unremittingly push ahead socialist economic construction and to concentrate our resources on developing the social productive forces. If we deviate from

the party's and the country's key task of socialist economic construction and from the fundamental task for this historical stage of socialism, namely, the development of the social productive forces, our work on various fronts will go astray and the fulfillment of the party's general task for the new period will be reduced to a pipe dream. This lesson that we have drawn from our historical experience is consistent with the theory of scientific socialism. Verified through our practice in the past 6 years or so since the 3d Plenary Session of the 11th CPC Central Committee, this Marxist common sense is being more and more extensively accepted by the Chinese people.

Both the basic theory of Marxism and the long practice of socialism have told us that the socialist relations of production established on the basis of public ownership are fundamentally in keeping with and have opened up vast vistas for the development of social productive forces. However, since the consolidation and perfection of the socialist system is a long historical process, many imperfect features of the socialist system will naturally exist during this historical course. In other words, some aspects and links which do not conform to the development of the productive forces will exist within the socialist relations of production and the superstructure. Therefore, in this historical stage of socialism, if we do not persist in reforming various administrative systems which reflect the socialist relations of production and if we do not persist in getting rid of the shortcomings in these systems that fetter the development of the productive forces, we will never be able to ensure and foster the development of the social productive forces and to realize a high degree of socialized and modernized production, and we will not be able to basically consolidate and perfect the socialist system.

Why did our country undergo such drastic and profound changes after the 3d Plenary Session of the 11th CPC Central Committee? There are many contributing factors. The most important one is: Under the guidance of the Marxist line readopted since the 3d Plenary Session of the 11th CPC Central Committee, our party has shifted the focal point of all our work to socialist economic construction. Meanwhile, the party has shown amazing courage and indomitable willpower in mobilizing and leading all the Chinese people to initiate and persevere with reform in various fields, enlivening the domestic economy, and opening the door to the outside world, thus pressing on with the rapid development of socialist economic construction through reform. The developing good situation emerging in rural areas must primarily be attributed to the reform. The brisk situation which has not been seen for years and is now emerging in cities is also the result of the ongoing reform.

Therefore, all those who have decided to devote themselves to the socialist and communist cause must not only take the initiative in plunging into the socialist economic construction centering around the development of the productive forces, but must, as Engels put it, bear in mind that a socialist society should be a "constantly changing and reforming society." They must take the initiative in plunging into the mighty torrent of reform, press on with the development of the great socialist construction with a reformatory, pioneering, and enterprising spirit, closely integrate the development of the social productive forces with the continuous perfection of the relations of

production during the socialist stage, and ensure that the social productive forces and the relations of production conform with each other and help each other advance.

Socialist construction must rely on reform, and reform must in turn serve socialist construction. This is a strategic concept which we should firmly adhere to throughout the historical period of socialism.

2. FROM NOW TO THE END OF THE PERIOD OF THE "SEVENTH 5-YEAR PLAN," WE MUST PUT REFORM IN THE PRIORITY POSITION ALL THE TIME. ALL ARRANGEMENTS FOR CONSTRUCTION MUST BE FAVORABLE TO THE REFORM. THIS IS AN OBJECTIVE REQUIREMENT IMPOSED BY THE CURRENT ECONOMIC DEVELOPMENT IN THE COUNTRY, AND IS ALSO AN IMPORTANT DECISION AIMED AT ENSURING LONG-TERM, STEADY ECONOMIC GROWTH IN THE COUNTRY.

Whether we can conscientiously keep abreast with this decision, earnestly implement it, and unswervingly enforce it depends on how well we realize the urgency, importance, and necessity of the reform and on whether we have profound and firm faith in the reform. In the past few years, especially since last October when the CPC Central Committee adopted the decision on the reform of the economic structure, people have obviously had a much more profound understanding about this question than they have had before. However, we still need to further deepen our understanding about the question in light of the practice of reform.

Why did the intrinsic superiority of our country's socialist system fail to play its due role for a long time in the past? There are many reasons for this, but there are three principal reasons: the mistakes regarding the ideological and political line; violation of the principles of seeking truth from facts and making steady progress in construction; and various long-standing malpractices arising from different administrative systems which deprived China's economy and society of their due vitality. As the first two factors either have been or basically have been properly dealt with, the last factor becomes more conspicuous and is the very crux of the further consolidation and perfection of our country's socialist system and the success of our socialist modernization program. Our practice in the past few years has already fully proved a rule: Only by seizing the opportunity to enforce the reform of various administrative systems while upholding the correct ideological and political line and construction orientation will we be able to give full play to the superiority of our country's socialist system. There is no other way out.

At present, the focal point of our country's economic structural reform has been shifted from rural areas to cities and a new stage of developments symbolized by the all-round reform has begun. The next 5 years will be the crucial ones for deciding whether the reform will succeed or fail. We should and must view this question from two perspectives: In the first place, the readjustment and reform we have carried out in the past few years has already achieved conspicuous success, the task of effecting a fundamental change for the better in the country's financial and economic situation has been basically completed, a new situation of steady and harmonious development

in the national economy has emerged, and prospects for a benign cycle are now in sight. All these developments have prepared extremely favorable conditions for further speeding up the all-round reform. As people say, we are now in a "golden age" of reform. Furthermore, all the problems and difficulties that we are faced with in our country's economic life at present can only be solved through the process of continuous reform. In the second place, after several years of reform, especially since last October when the CPC Central Committee adopted the decision on the reform of the economic structure, our country has initiated a historical process to transform the old ossified and closed economic mode once and for all and to introduce step by step a new economic mode brimming with vigor. Although a complicated situation will inevitably emerge in the historical process of the replacement of the old structure by a new one, people will have a more and more definite goal of the reform in mind and see their road clearer and clearer. The direction of the current historical development is correct and irreversible. Under such a circumstance, we must adroitly guide our action according to the situation, meticulously draw up our plans, and conscientiously implement them, instead of hesitating, wavering, or withdrawing. During the period of the "Seventh 5-Year Plan," we must strive hard to lay down a foundation for a new socialist economic structure with Chinese characteristics according to the requirements set by the CPC Central Committee in the "Proposal." At the same time, we must properly carry out a corresponding reform of the administrative system in such fields as science and technology, education, and so on. These are our primary tasks. The perfect fulfillment of these tasks will not only provide a fundamental guarantee of steady economic growth and the continuous improvement of people's standard of living in our country during the period of the "Seventh 5-Year Plan," but will also be of great significance to economic prosperity in the 1990's, to the fulfillment of our magnificent goal by the turn of the century, and even to our efforts to approach to or catch up with the economic and technological level of developed countries in the world by the middle of the 21st century. Therefore, the reform must be aimed at fulfilling both short-term and long-term requirements and future needs. We must have broad vision and be strategic-minded, always placing reform in the first place during the "Seventh 5-Year Plan" period, taking the initiative in arranging production and construction in such a way that they provide an economic and social environment favorable to the reform, and thus ensuring the smooth and healthy development of the reform.

3. AT PRESENT, IN TAKING THE INITIATIVE IN ARRANGING PRODUCTION AND CONSTRUCTION IN SUCH A WAY THAT THEY PROVIDE AN ECONOMIC AND SOCIAL ENVIRONMENT FAVORABLE TO THE REFORM, THE MOST IMPORTANT THING IS TO RESOLUTELY PREVENT AND CHECK THE TENDENCY OF BLINDLY SEEKING HIGH GROWTH IN BOTH OUTPUT AND OUTPUT VALUE AND, IN PARTICULAR, TO RESOLUTELY KEEP THE SCALE OF INVESTMENT IN FIXED ASSETS UNDER CONTROL SO AS TO MAINTAIN A BASIC BALANCE BETWEEN THE GROSS DEMAND AND GROSS SUPPLY IN SOCIETY. THIS IS A BASIC FACTOR THAT WE MUST OBSERVE IN THE COUNTRY'S LONG-TERM ECONOMIC CONSTRUCTION AND A BASIC GUARANTEE OF THE SMOOTH DEVELOPMENT OF THE CURRENT REFORM.

The speed of economic development and the scale of construction have a direct bearing on the state's modernization process and the improvement of the people's standard of living. People have always shown concern for and

attached importance to these questions. As long as we make unremitting efforts to improve economic results and product quality and to ensure a comprehensive balance and the proportionate and harmonious development of the macroscopic economy, we should be able to achieve a higher growth rate in production and construction. This will be beneficial to the state's prosperity and the people's well-being. However, in setting the economic growth rate and the construction scale, we must abide by some rules. We should never solely take demand into consideration while ignoring possibilities. Both positive and negative experiences we have gained since the founding of the PRC have shown time and again that if the production growth rate is set too high and the construction scale is expanded so much as to surpass what the financial and material resources of society can afford, the proportionate economic relations will be upset and the stability of the state's economic life will be seriously jeopardized. Thus, we will not be able to achieve the steady and harmonious long-term development of the national economy that we are expecting. This is a basic experience which we can never forget. The "Great Leap Forward" in 1958 brought terrible disasters and the drive of "go all out" in 1978 further aggravated the serious economic imbalance which existed at that time. Apart from other factors, a major contributing factor was that we blindly pursued an excessively high growth rate and blindly expanded the scale of capital construction to an extent beyond what our national strength could afford. To be sure, the similar problems that we are facing in some places and departments cannot be simply compared with those past cases in terms of nature or extent. However, the excessively high growth rate still must be lowered step by step, and the excessively large construction scale definitely must be kept under control. This will ensure that the economy will develop continuously and steadily at a moderate speed. This is an invariable requirement determined by objective economic laws.

What must be especially emphasized is that the all-round reform of the economic structure that is currently under way needs a stable economic environment with fewer restrictions imposed on economic activities, a more balanced proportion, and a greater reserve strength for economic development. The general direction of our reform of the economic structure is to invigorate enterprises and enliven the national economy, thus ensuring that our developing economy and society will be brimming with vigor. If, due to a blind pursuit of the speed and scale of production and construction, the economic activities in various fields are subject to many restrictions, if there is a very sharp contradiction between supply and demand, if the relationship between accumulation and consumption is out of balance, and if the "distribution" of the national income "exceeds the set quotas," then we will hardly be able to enliven the economy without causing problems. We may even be forced to carry out a large-scale readjustment at a later time. If such is the case, we can hardly carry out the reforms normally and smoothly. We must avoid the above situation. In dealing with these problems, we must make a correct analysis of those new factors of instability emerging in our economic life since the fourth quarter of last year. These include an excessively high growth rate in industry, the excessively large scale of capital construction, the overly drastic increase in credit funds and consumption funds, an overly large margin of increase in the prices of some

commodities, and so on. By and large, the situation of the economic reform in our country is excellent, and great success has been achieved. The phenomena that we have mentioned above are by no means the result of the reform. They merely reflect one fact: Having enjoyed an excellent economic situation for a few years in a row, some departments let success turn their heads. In arranging production and construction, they want to undertake all tasks at once rather than arrange them in order of priority. Moreover, these phenomena also show that although restrictions have been lifted to enliven microeconomic activities, we have failed to keep up with the developing situation by appropriately stepping up the reform related to macroeconomic control. We must make a correct analysis and acquire a correct understanding of this issue. Only thus will we be able to steadfastly persist in reform while keeping the speed and scale of production and construction under control, unremittingly improve the reform in practice, and, in the course of the reform, eliminate step by step certain new factors of instability emerging in our economic life. Only thus can we ensure that reform and construction will help each other advance.

4. OUR COUNTRY'S ECONOMIC DEVELOPMENT REQUIRES US TO DIVIDE THE PERIOD OF THE "SEVENTH 5-YEAR PLAN" INTO TWO PHASES IN ARRANGING CONSTRUCTION TASKS. FOR THIS REASON, WHILE CARRYING OUT THE REFORM, WE MUST CONSCIENTIOUSLY KEEP IN LINE WITH SUCH ARRANGEMENTS.

The "Proposal" of the CPC Central Committee said: "In view of the present overextended scale of construction, the amount of investment in fixed assets for 1986 and 1987 will remain roughly the same as for 1985. In the last 3 years of the plan, it may be increased according to circumstances." In his explanation of the "Proposal," Comrade Zhao Ziyang further stated: "In the first 2 years, the emphasis will be on controlling social demand in general to solve the problems of overly rapid growth rate, excessive investment in fixed assets, and sharp increases in consumption funds. We will make minor changes while maintaining the same general scale of investment in fixed assets as in 1985, in order to improve investment patterns and step up the construction of key projects." "In the last 3 years of the 'Seventh 5-Year Plan' period, investment in construction will be increased according to the circumstances prevailing then. The general scale of construction still needs to be kept under control, however. This is an important lesson we have learned over the years." This correct decision fully embodies the CPC Central Committee's spirit of seeking truth from facts. To keep in line with this decision, in the reform during the first 2 years of the "Seventh 5-Year Plan," we must continue to invigorate enterprises, especially large- and medium-sized enterprises under the system of ownership by the whole people, and, at the same time, take the stabilization of economy as the key link, make fuller use of the means of economic regulation, consolidate the economic inspection and supervision system and economic legislation and adjudication, and strengthen and improve the macroeconomic indirect control system, so as to ensure the steady development of the whole economy. In the last 3 years of the "Seventh 5-Year Plan" when all the above are accomplished, we will be able to further adapt ourselves to the requirements for developing the socialist commodity economy in a planned way on the basis of the system of public ownership and carry out the reform of the planning system, pricing

system, financial system, banking system, and labor and wage system in a more systematic way. Our attention will be concentrated on the further development of the socialist commodity market guided by the planned economy, on the opening up and development of the fund market and the technology market, and on the improvement of the market system. Such a program of carrying out the reform in clear-cut stages and step by step is undoubtedly an essential guarantee for the smooth implementation of the all-round reform and healthy development of economic construction.

5. WHILE CORRECTLY UNDERSTANDING AND HANDLING THE RELATIONSHIP BETWEEN REFORM AND CONSTRUCTION, WE MUST ALSO EMPHASIZE THE NECESSITY OF CORRECTLY HANDLING THE RELATIONSHIP BETWEEN WHAT TO DISCARD AND WHAT TO INTRODUCE IN REFORM. ONLY THUS CAN WE SMOOTHLY PRESS ON WITH ALL THE REFORMS AND DO A BETTER JOB IN ENSURING THAT REFORM AND CONSTRUCTION WILL DEVELOP HEALTHILY, CONFORMING WITH EACH OTHER AND HELPING EACH OTHER ADVANCE.

The practice of reform has told us that properly handling this question is also very important. Now that we are engaging in reform, we must resolutely get rid of all the old things that are out of keeping with the times and must encourage people to voice new ideas, to blaze new trails, and to give full play to their pioneering spirit. Otherwise we will not be able to press on with the reform. At the same time, however, we must try our best to integrate abolishment and establishment in a dialectic way. While abolishing all the old rules and regulations that fetter the development of the productive forces, we must make every effort to set up and consolidate new systems as soon as possible, and must adopt new measures and methods to ensure that the economy will operate normally along the new track very soon. When abolishing some things, we must establish other things. We must not attach sole importance to abolishment or simply abolish the old without establishing the new. In light of our experience obtained in the previous phase of the reform, we find that, as the "Proposal" points out, it is necessary to pay special attention to the following points at present and for some time in the future: 1) The measures that the state is to adopt to reduce its direct control over the activities of enterprises or microeconomic activities, as well as the scope and extent of the influence of these measures, must be in keeping with the state's ability to strengthen indirect macroscopic control. If direct control is reduced but indirect control fails to be strengthened accordingly, we will inevitably lose control over microeconomic activities. 2) It is necessary to correctly understand and handle the issue of reducing the use of administrative means. In the past, the main shortcomings of our economic structure were the excessive use of administrative means in the direct intervention of the activities of enterprises, and the excessive and over-rigid control over enterprises, both of which fetter the development of the productive forces. Therefore, our reform must be directed to gradually reduce the use of administrative means and to give fuller play to economic means in managing economic activities. However, in socialist economic management, necessary administrative means can never be discarded. We especially need to use necessary administrative means at present as we are faced with a certain degree of a loss of control over macroeconomic activities and with some new factors of instability in our economic life. 3) It is necessary to strengthen the role of

inspection and supervision organizations and to perfect the inspection and supervision system. Even if enterprises are invigorated and the economy is enlivened, we cannot plug up loopholes in our economic life without powerful and efficient inspection and supervision organizations and a sound inspection and supervision system. The interests of the state and the consumers depend on this. 4) Economic legislation and adjudication must closely keep up with the reform. We must strive to establish as soon as possible a sound and more comprehensive system of economic statutes, and resolutely check the currently prevailing practices of violation of laws and perfunctory enforcement of law. If we can improve our work in these aspects step by step, we will be able to guarantee that the reform will be carried out more smoothly and in an orderly way.

We must resolutely attach prime importance to the reform, correctly understand and handle the relationship between reform and construction, and strive to win a victory of decisive significance to the all-round reform of the economic structure in the "Seventh 5-Year Plan" period. Undoubtedly, this is a very arduous task. As long as we resolutely follow the principles laid down by the "Proposal" and make unrelenting efforts to increase our knowledge and improve ourselves, we will fulfill the task. We should have full confidence in this.

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CSO: 4004/9

ON THE BASIC BALANCE BETWEEN TOTAL DEMAND AND TOTAL SUPPLY IN SOCIETY

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 13-19

[Article by Gui Shiyong [2710 0013 6978]]

[Text] The proposal of the CPC Central Committee regarding the formulation of the Seventh 5-Year Plan requires that we persist in taking the basic balancing of total demand and total supply in society as the basic principle in economic work. This demand of the "Proposal" sums up the historical experiences of our nation in economic construction and reflects the actual demands of economic development. It is of great significance to the correct formulation of the Seventh 5-Year Plan and in promoting the smooth development of reform and construction.

I

What is referred to as a basic balance between total demand and total supply in society in our country generally refers to a balance between total supply, represented by total social output value, and total demand forward through its distribution. Here, we should pay attention to discussing the balance between the total production and total allocation of newly created value, that is, of national income. Marx said that all that can be allocated is the result of production. In this sense, the total production and total allocation of national income should be balanced and equal. However, the production and allocation of national income is an interwoven, dynamic process. Allocation often uses the form of money in guidance and is later carried out through the exchange of resultant goods. This results, within a set period (for example a year) and under the condition that currency value remains unchanged, in the total allocation of national income in terms of money being lesser or greater than the total production of national income. Due to the complexity of economic movements, it is very difficult to continually maintain an absolute balance between these two factors. In fact, as long as the difference between the two is not great, and they are regulated in a timely way, it will not have a greatly negative influence. However, if the allocation of national income in the form of money is much greater or much lesser than the total amount of national income produced, it will obstruct the regulatory operations and healthy development of the economy. The former situation would be manifested as insufficient effective demand and production resources would not be fully used. This would affect

the appropriate growth of the economy. The latter situation would result in social purchasing power exceeding commodity supply capacity, leading to depreciation of the currency, an increase in prices, and strained economic relations. This would result in instability in economic life. Both these situations should be guarded against and avoided.

Seen from the history of our nation's economic construction, over a long period there has been the influence of a guiding ideology impatient to achieve results and the economic system of eating from "a big pot." This has often led to inflation of total social demand, and has several times given rise to serious proportional dislocations and acute shocks in economic life. Thus, we should pay special attention to preventing excessive allocation, in the form of money, of national income, and maintain a basic balance between total demand and total supply in society.

This question will be especially important during the period of the Seventh 5-Year Plan.

This is mainly because further consolidating and developing the present good situation urgently requires the maintenance of a basic balance between total supply and demand in society. Through readjustment and reform over the last few years, the seriously dislocated, important economic ratios have been regulated, the task of striving for a change for the better in the state financial and economic situation has been basically realized, and the overall national economy has achieved a new situation of sustained, stable, and coordinated development. This is the main current in our nation's economic development. While the situation has improved year after year, during the last 2 years, there has appeared the gradually more obvious phenomena of excessive demand inflation and excessively rapid industrial growth. This problem has become more prominent since the fourth quarter of last year. According to statistics, in 1984, national income was 13.9 percent up over the previous year. However, investment in fixed assets in whole-people ownership units grew 24.5 percent, and the national total of staff and workers' wages grew 21.3 percent. This situation led to excessive growth in the money supply and excessive expansion of total demand in society. On the one hand, this stimulated industrial production into excessively rapid growth, increasing the pressure on energy, communications, raw and semifinished materials and imports. On the other hand, it led to price fluctuations in the market, resulting in the prices of some commodities in short supply rising sharply. All this resulted in unstable factors in economic life. Thus, adopting practical, effective measures to firmly control total demand in society, and thereby achieve a gradual balance with total supply so as to eliminate these destabilizing factors, has become an important means for guaranteeing that the present fine economic situation is continually pushed forward, and a means for avoiding new twists and turns.

The reason for maintaining a basic balance between total supply and total demand in society lies in the fact that this is a necessary condition for smoothly carrying out overall reform of the economic structure. The Seventh 5-Year Plan is the key period in our nation's structural reforms. Through great efforts during this 5-year period, or a slightly longer period,

we must lay a base for a socialist economy which has Chinese characteristics and is full of vitality and vigor. In order to achieve this aim, we must create a fine economic environment for the reforms. An important condition and basic standard for forming this environment is the maintenance of a basic balance between total demand and total supply in society. This is because: 1) Seen overall, our reforms are intended to eliminate the long-standing problem whereby our existing systems are excessively managed and managed too rigidly, to enliven enterprises and to enliven the overall national economy. If the speed of development is too fast and the scale of construction too large, the relationships between the various sectors will be stretched too tightly. In such a case it will be very difficult to thoroughly carry out pricing and wage reforms because the necessary economic and social supporting strengths will be lacking. 2) Our reforms must, under the guidance of planning, bring into play the positive role of the market mechanism, as this will motivate the enthusiasm of the enterprises and link up production with demand. Only under the condition where there is a basic balance between total demand and total supply in the society will it be possible for changes in the relative prices in the market to correctly reflect the degree of surplus or scarcity of various types of products. Only thus will the correct signals and guidance be given to enterprises in their production. 3) The reforms are not only intended to strengthen the vigor of enterprises but also, through competition, to put pressure on enterprises to improve their management and renew technology. This requires that our market is, in general, a market where there is an overall balance between supply and demand, a market where there is competition between producers. Only if we have such a market will it be possible for enterprises to improve varieties, improve quality, reduce consumption and really put efforts into improving social and economic benefits. This shows that maintaining a basic balance between supply and demand in the society is not only an indispensable condition for carrying out overall reform, but is also an important guarantee for bringing into play the anticipated roles of the various reform measures.

Maintaining a basic balance between total supply and demand in the society is extremely important to rationally readjusting the production structure. Following the development of production and the increase in people's income, consumption by our nation's people has moved toward individuality and diversity. The new technological revolution which is going on throughout the world is posing a strong challenge to us, but is also providing a beneficial opportunity for the development of our nation's technological and economic development.

With such domestic and international conditions, during the period of the Seventh 5-Year Plan and a quite long period following it, our nation's production technology and production structure will see some major changes. This is an important component and a turning point in the maturation of our nation's economy. In order to meet the demand for these changes, we must, under the guidance of correct development strategies, centralize necessary financial, material, and technical strengths through various financial and banking channels, and in a planned way build a number of backbone projects in the energy, transport, communications, and new materials fields, as well as transforming some key enterprises. At the same time, we must strive to

achieve outstanding progress in various important scientific and technical areas and in key scientific and technical problems. This will effectively strengthen the basic facilities for the national economy and basically improve the technical conditions for social production. In another respect, under planned guidance, we must further bring into play the role of the market mechanism regarding the various specific structures of the social economy, especially the complex ever-changing product structure. This will allow enterprises to change swiftly in accordance with market demands, and be flexible in carrying out readjustment. In realizing any of the above demands, it is necessary to have an environment in which there is an overall balance between supply and demand. This is because only by having such an environment will investment decisionmaking in respect of key construction and the tackling of key scientific and technological problems in the state plans not be subject to interference by currency depreciation or by mutual vying for products in short supply. In this way, the plans can be correctly implemented and good results realized. Also, only in this way will the relative prices of products in the market be able to fully play a role in promoting technological progress and the rationalization of the product structure.

The above analysis shows that a stable economy and the promotion of the development of reform and construction all require the maintenance of a basic balance between total demand and total supply in the society. Thus, it is completely necessary and correct to take this as a basic principle which must be adhered to in economic work.

II

National income, through allocation and reallocation, forms consumption funds, used in people's individual consumption and in social consumption, and accumulation funds, used in expanding fixed assets and circulating funds. "Above-quota" allocation, in the form of money, of national income, resulting in total demand in society exceeding total supply, arises in the overall allocation structure from the following situations: 1) Excessive allocation of expenditures for consumption; 2) excessive allocation of expenditures for accumulation; and 3) the existence, to various degrees, of excessive allocation, in money terms, in either consumption or accumulation. Thus, if we are to maintain a general balance between total supply and demand in society, we must appropriately arrange the ratio between consumption and allocation. At the same time, we must ensure a balance between the two in terms of allocation of money and ensure that it does not exceed the production of national income.

Seen from our nation's history, in economic work, over a long period, production has been stressed, while little attention has been paid to livelihood, and the importance of consumption by the people has been overlooked. There has thus been blind expansion of the scale of construction. This has given rise on several occasions to excessive growth in total demand. All this has resulted from investment in fixed assets, particularly in capital construction, exceeding the state's ability to produce it. The most outstanding example was the "Great Leap Forward" in the 3 years from 1958 to 1960.

Investment in fixed assets grew at an annual average of 40.2 percent and the accumulation rate rose sharply from 24.9 percent in 1957 to 39.6 percent in 1960. This resulted in great undulations in production and construction. In 1970, total investment soared 46.1 percent, resulting in the accumulation rate in the following few years being maintained at high levels, over 30 percent. In 1978, total investment grew 22 percent and accumulation grew to 36.5 percent. Sharp rises in investment always endanger the stability of the economy at that time and must be subject to regulation to various degrees. This historical experience shows us that if we are to maintain a basic balance between total supply and demand in society, the central problem lies in strictly controlling investment in fixed assets, and particularly the scale of capital construction, so that it accords with financial and material strengths, while at the same time rationally arranging for the lives of the people. This is completely appropriate at the present stage.

The present expansion of total demand is no doubt due in part to the excessively rapid growth of consumption demand, but it is still mainly due to the excessively rapid growth of investment in fixed assets. As a basis for this judgment, we can see that: 1) In the last 2 years, investment in fixed assets has grown faster than consumption demands; 2) the accumulation rate, which had gradually fallen over the last few years following readjustment, has again started to rise, with accumulation rate of 29.7 percent in 1983 growing to 31.2 percent in 1984 and the prediction that there will be a further rise this year; and 3) the contradiction between the demand for and supply of the means of production is more acute than that in respect of consumer products. The prices of the major means of production have risen far more than the prices of the various consumer products. In 1984, the prices of steel products, wood products, and cement rose by an average 9.6 percent over the previous year, while the price of mechanical and electrical equipment grew 20 percent. This far exceeded the increase in price indices for consumer products. This year, this situation has further developed. These facts show us that a dramatic rise in investment plays a major role in the expansion of total demand in society. It should be pointed out that while examining the influence of investment growth on the expansion of total social demand, we should not only look at its influence on production demand, but should also recognize its stimulation of consumption demand. According to estimates by the State Statistical Bureau, every increase of 10 billion yuan in fixed assets will give rise directly or indirectly to an increase of 4.1 billion yuan in consumption demand. Using these figures, it can be said that of the increase in the incomes of commune members and the salaries of workers in 1984, about one-third derived from the increase in investment. This shows that if we are to control the present excessive inflation of total demand in society, so as to gradually restore it to a balance with total supply, the key lies in strictly controlling investment in fixed assets and particularly the scale of investment in capital construction.

The increase in investment over the last 2 years included investment factors within the state budget, but it was mainly brought about by an excessively rapid rise in extra-budgetary investment. In 1984, budgeted state investment in capital construction was up 16.6 percent over the previous year. However, extra-budgetary investment grew 33.8 percent. In the first half of

this year, capital construction investment within the budget grew 5.8 percent. However extra-budgetary investment grew 109 percent. At the same time, as there was a dramatic increase in extra-budgetary investment, the use of these funds exhibited a certain blindness. Most of the extra-budgetary investment was used in general processing industries and many of the projects used old-fashioned or duplicated technology. The blind expansion of processing industries on the one hand resulted in key construction projects having to vie for funds and materials, and, on the other hand, put further pressure on energy, communications, and raw materials. This required further investment in these areas and forced a further expansion in the scale of overall investment. Thus, if we wish to control the excessive expansion of investment, we must, while maintaining control over the general scale of investment, rationally adjust the investment structure, and reduce construction in general processing industries and in some key production construction. We must also accordingly strengthen key construction in the energy, communications, and raw materials sectors, and gradually increase investment in strengthening the development of science and technology and in intellectual development.

Here, we run into a contradiction. That is, the contradiction between the systems reform which requires expanded autonomy for enterprises and localities, including the expansion of their right to invest funds, so that funds are appropriately decentralized, and the strengthening of key construction which requires fairly centralized funds. In resolving this contradiction, we certainly cannot return to the very tight control of funds. If we are to enliven the economy, we must appropriately expand the autonomy of enterprises and localities in terms of investment. Likewise, following this expansion, we cannot go back to using simple administrative measures. The only correct policy is to establish a new macroeconomic regulatory system and to use economic and legal measures, while supplementing these with administrative measures, in order to control the general scale of investment and regulate the direction of investment. The creation and perfection of this macroeconomic regulatory system will have to occur over time. Thus we must adhere to what has been pointed out in the "Proposal." On the one hand, while enlivening the microeconomy, we must strive to strengthen indirect control through the macroeconomy. On the other hand, we must ensure that the scope, scale and pace of the enlivening of the microeconomy accords with the capabilities of the macroeconomy through which indirect control is exercised. Only in this way can we ensure a unity of microeconomic enlivening and macroeconomic control, and thus cause reform and construction to progress together. Certain hazards exist in our reforms. The main hazards can be summed up in two points: 1) The hazard that currency inflation will occur, resulting in economic instability; and 2) the hazard that after funds have been decentralized, they will not be able to be centralized again. If too many general projects are carried out at too low a level, it may delay the progress of key construction and transformation. If we wish to engage in a large number of general projects as well as strengthening key construction and transformation, it will inevitably lead to a loss of control over investment and to currency inflation. The key to avoiding these hazards lies in resolving well the question of moderately centralizing the use of funds, while at the same time appropriately decentralizing funds.

This is an important guarantee for smoothly implementing the important links in reform and for preventing a loss of balance between total demand and supply in society.

When we speak of controlling overall supply and demand, the key lies in controlling the scale of investment. Does this then mean that we do not need to control the growth of consumer demand? No, it does not. If we look at the past, the outstanding characteristic of the escalation of total social demand in the last 2 years is that it was mainly caused by the expansion of investment. However, at the same time, there were also consumption factors. In the past, the excessive scale of investment, to some degree, relied on the maintenance of reduced consumption. Thus, in the economic readjustment, it often occurs that while reducing investment, it is also necessary to appropriately increase consumption. In this way, in the process of restoring overall balance, it will be possible to improve the proportional relationship between consumption and allocation, and promote a fine economic cycle. However, in the last 2 years, the expansion of investment and the excessively rapid growth in consumption have occurred together. In the last few years, the people's consumption has increased by quite a large degree. In this situation, the rate at which both urban and rural people's income has grown has greatly exceeded the rate at which both production development and labor productivity have increased. A portion of initial consumption funds are changed, through savings and other channels, into accumulation funds, and some consumption funds are offset by price rises. Thus, as a result of final allocation, consumption funds decrease as a proportion of national income. However, in the initial allocation, the situation exists where, in terms of money, consumption funds exceed allocation. In this situation, if we only control the scale of investment and do not appropriately control the growth of consumer demand, it will not be conducive to recovering an overall balance between supply and demand. Increasing investment plays the double role of expanding demand and increasing supply. If we keep investment at too low a level and at the same time allow consumption to grow too quickly, it will be very difficult to achieve an overall balance between supply and demand in the society, and if it is attained, it will be very difficult to maintain. Thus, at the same time as we stress controlling the scale of investment, we must also rationally control the growth of consumer demand. In future, following the development of production, the lives of the people in both urban and rural areas must be continually improved, but the degree of improvement must be in accord with the growth of national income. We cannot again exceed the speed of production development.

From the above analysis, we can see that the process of achieving a moving balance between total social demand and total social supply is a process involving both production and allocation and a process involving the mutual roles of the total amount of allocation and the allocation structure. The balancing of total supply and demand is a balance involving a certain structure. An overall balance based on an irrational structure will not be able to promote a fine economic cycle. Also, it will not be possible to maintain such a balance for a long period. Our aim is to establish an overall balance with a rational structure. In this, we must stress: 1) Measures to

restore an overall balance should be beneficial to controlling total social demand and be beneficial to promoting the rationalization of the supply structure and the demand structure. We certainly cannot "act uniformly" on the basis of an irrational structure. 2) We must recognize the restrictions placed on the structure by the total amounts, and must also consider the influence of the structure on the total amounts. Once a certain allocation structure is formed, it has a certain rigidity and inertia. If we want to reform it, it will take time. Thus the demands to restore an overall balance and to readjust the structure should not be too anxious. In this way, we will be able to avoid great losses and shocks. 3) When the structure is severely irrational and urgently needs readjustment, within the limits allowed by the conditions, it is permissible to temporarily upset the overall balance in order to speedily readjust the structure. However, when the overall balance is lost, it poses a danger to the overall stability of the economy. Thus, it is necessary to take the recovery of the overall balance as the major aim. With this as the precondition, it is possible to take various measures to arrange the readjustment of the structure. In this way, losses, shocks, and obstructions can be minimized and fairly good economic results can be realized. In mobilizing a reasonable amount of initiative in the relationship between achieving an overall balance and readjusting the structure, the key lies in bringing about a great increase in national income. In general, whether we are readjusting the ratio between consumption and accumulation or readjusting the internal structure of investment, it will influence the supply structure. These are safe methods which will be easily accepted by the people. They are also methods by which to change the rate of growth of different sectors, while generally maintaining the original base. Whether or not we are able to implement these methods, and whether or not, in the process of implementation, we will have much leeway, depends to a great degree on whether or not we can greatly increase national income. We must control overall supply and control excessively high production growth rates while, as far as possible increasing the national income. This is a contradiction. The basic route to resolving this contradiction lies in paying attention to raising quality and lowering consumption. This will, at the same time as providing appropriate growth in total social output value, also provide greater national income. Low product quality and high material consumption are fatal weaknesses of our nation's economy, but are also where the greatest potential for development lies. We must make breakthroughs on all sides, especially in terms of operations management, and exploit this great potential. This will have decisive significance in arranging well the relationship between systems reforms, production construction, and the people's livelihood, under the precondition of maintaining an overall balance between supply and demand during the period of the Seventh 5-Year Plan.

III

In order to maintain a balance between total supply and demand in society, in the work of planning the economy, we must ensure that finances, credit, materials, and foreign exchange are all individually balanced and that there is a comprehensive balance among them.

Finance and credit are both important avenues for the allocation and reallocation of national income in the form of money. Whether financial income, as a proportion of national income, is high or low, has an important influence on the initial allocation of national income. Financial expenditure and its structure are important levers for reallocating national income. Under the former system when there was unified income and expenditure, the total amount of state financial income and expenditure and their structures played an important role in the balancing of the total amounts of national income produced and allocated, and in the readjustment of the structure. In general, when there is a balance between financial income and expenditure, it is a reflection of the basic balance between the total amounts of national income produced and the total amounts allocated. On the one hand, if financial expenditure goes into the red, it shows that to some degree there has been "above-quota allocation," in terms of money, of national income. Financial departments thus overdraw at the banks to make up the deficit, leading to currency being issued by financial departments. This gives rise to price increases or excess purchasing power. Here, finance plays a leading role, while credit is in a passive position. Following the promotion of the reforms of the economic system, the proportion occupied by enterprises and individuals in the initial allocation of national income will appropriately increase. The role of bank credit in obtaining funds and collecting funds will also grow accordingly. In the past most of those who needed funds applied to the financial departments for an allocation. Now more and more are turning to bank credit. This requires that we closely link balancing finances with balancing credit. We must particularly pay attention to the balancing of credit, so as to prevent credit inflation. This has become the key link in the new period for controlling increased demand, and especially the expansion of investment, and for maintaining a balance between total supply and demand.

In order to strengthen the balancing and management of credit, we need to adopt measures by proceeding from perfecting macroeconomic controls and perfecting microeconomic mechanisms. In terms of macroeconomic credit management, the major measures include: 1) Clearly demarcating the functions of financial departments and of banks so as to stop the practice of money being overdrawn from banks to make up financial deficits. 2) Rationally establishing money supply amounts and scale of credit, and having the central bank hand down controlling figures to provincial branches and to specialized banks. In this way, it will be possible to strictly control the allocation of credit in accordance with state credit plans and credit policies. 3) Gradually arranging and perfecting a financial system, and striving to learn how to use discount rates, interest rates, and other economic levers, so as to control the scale of credit and the supply of money, and to regulate the investment structure. In terms of microeconomic mechanisms, the most important thing is that we must ensure that enterprises' interest burdens are closely linked to their economic interests, and that they are responsible for the principal and interest on scheduled repayments of credit. We should also allow banks to have autonomy in providing credit, in accordance with state plans, and have them take on the risks and responsibilities of providing credit. These measures all relate to a matter which has wide-ranging significance in the reforms. That is, the state should exercise reduced direct

control over enterprises. This should accord with the strengthening of indirect control and be coordinated with the improvement of microeconomic mechanisms. Indirect control is mainly carried out through economic measures. Under the condition wherein enterprises lack complete and strict responsibility for their own profits and losses, and wherein they lack self-balancing and self-restraint in terms of their actions, such control will be difficult to realize. Thus, using the terminology of some economists, state management of enterprises should change from the former mainly "hard" control to mainly "soft" control. This must have as its base, a change from the former "soft" restraints placed on enterprises in terms of balanced budgets to "hard" restrictions.

In order to maintain a basic balance between total supply and demand, at the same time as we do well in maintaining balances in finances and credit, we must also do well in balancing goods and materials and then link these three aspects. If allocation of national income, in the form of money, is to be correctly carried out, there must be guarantees in terms of goods and materials. Accumulation funds must involve a certain amount of means of production while consumption funds must involve a certain amount of means of consumption. Even if the total amount of national income, in the form of money, does not exceed allocation, if the allocation structure does not accord with the material structure it is possible that an overall structural imbalance will occur. This will result in some social purchasing power not being realized and the stockpiling of some goods and materials. It is because of this that we must link the balancing of finances and credit with the balancing of goods and materials. Of course, stressing a balance of goods and materials does not mean that we should have all-embracing materials targets and controls. Under the conditions of a planned commodity economy, those basic means of consumption and means of production which have overall significance must, while having pricing ratios arranged, also be subject to unified planning and comprehensive balancing. On the one hand, we must adjust the production and supply of these goods and materials in accordance with the demands of purchasing power. On the other hand, in accordance with the growth of production and the possibility of structural adjustment, we should examine and correct allocation ratios in terms of pricing. In this way, the two can be coordinated. As to the vast amounts of ordinary materials and specific product standards of the above-mentioned important goods and materials, these can be gradually freed within the scope of overall balance. Market mechanisms can be used in a planned way to regulate the balancing of their supply and demand. The regulation of pricing ratios often involves raising the prices of goods in short supply, and changes in the supply structure often take a certain amount of time to realize. Thus, structural contradictions between supply and demand may lead to price rises of different degrees. However, this is not the same as the serious inflation brought about by losing the overall balance between supply and demand, as its degree is restricted by the overall balance and can thus be controlled. Also, following the gradual changes in the supply structure, with the stability of the new supply-demand relationships, prices will not be able to increase in spirals. The effects of these price changes on the people's lives can be calculated beforehand and counteracting measures should be taken. Thus, structural price rises in general cannot pose a serious threat

to the stability of the economy. Of course, this does not mean we can ignore the price reforms of a structural nature. Because price changes affect the personal interests of the vast masses, at times price changes of a structural nature are confused with price increases brought on by the loss of overall balance. Thus, we should adopt a cautious attitude in respect to price reforms and implement them in a planned and step-by-step way. This is especially so of those important goods and materials where demand greatly exceeds supply and where the growth of production is seriously restricted by funds and goods and materials. In such cases, the adjustment and freeing of prices must proceed with great caution. If not, the prices of these goods and materials will remain high for a long period, exceeding the purchasing power of the units which need them. This will lead to a chain reaction and will affect the overall level of prices. This clearly would not be beneficial to maintaining an overall balance between overall supply and demand in society, or to stable economic growth.

Following the continuous development of opening up to the outside world, the balancing of foreign exchange income and expenditure has become daily more important. The balancing of foreign exchange is an extension of domestic balancing of prices and balancing of goods and materials. In terms of prices, the foreign trade surplus or deficit and the scale of foreign funds use all influence the amounts of national income which can be used for allocation within a certain period. In terms of goods and materials, through foreign trade and exchange and by exporting superior products, importing advanced technology and importing goods and materials in short supply, it is possible to promote the development of domestic production construction. It is also of benefit in regulating the balance between total supply and demand in society and their structures. As our country develops, relations with international markets grow ever closer. The balancing of foreign exchange has become an increasingly important link in economic balance and overall economic development. Our country is a developing one. It lacks foreign exchange and needs imported technology and imported goods and materials. Thus, if the foreign exchange balance is too great, it will not be beneficial to economic development. But, likewise, we cannot have no foreign exchange balance. This would affect the stable development of our foreign trade and the scale of expansion of foreign funds use. Thus, we must seek a balance between exports and imports in foreign trade and strive to increase non-trade foreign exchange income. On the condition of maintaining a rational balance of foreign exchange, following the strengthening of our import capacity and our repayment capacity, we must appropriately use some foreign funds to make up the domestic funds insufficiency. The key to this lies in expanding exports and obtaining more foreign exchange income. At the same time, we must seek economic results in the use of foreign exchange, and ensure that they are really of benefit to promoting technological development and raising the ability of exports to bring in foreign exchange. Only in this way can we ensure that the balancing of finances, credit and goods and materials is coordinated with and linked with the balancing of foreign exchange, achieve a basic balance in overall social supply and demand and guarantee that the economy advances in a sustained, stable, and coordinated way at a high speed.

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SHOULDERING THE IMPORTANT MISSION OF MAINTAINING WORLD PEACE AND PROMOTING
INTERNATIONAL COOPERATION--COMMEMORATING THE 40TH ANNIVERSARY OF THE
FOUNDING OF THE UNITED NATIONS

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 20-23

[Article by Huang Hua; reprinted in 18 October RENMIN RIBAO]

[Text] This year is the 40th anniversary of the founding of the United Nations. Forty years ago, on 26 June 1945, the representatives of 50 countries assembled in San Francisco, in the United States, and solemnly signed the "United Nations Charter." On 24 October, the same year, the "Charter" went into effect. Thus the largest international organization participated in by the governments of various countries in the world was born. China is one of the founding members of the United Nations. The CPC took part in the work of founding the United Nations from the very beginning, sending Comrade Dong Biwu as its representative to attend the signing ceremony of the "UN Charter."

The United Nations was founded on the eve of the end of World War II at a time when Nazi Germany had already been defeated. The defeat of Japanese militarism was approaching and the world antifascist war was advancing toward its final victory. The 6-year-old world war, which had stricken four continents, brought horrible disasters to the people of all countries in the world. After this catastrophe, all countries in the world felt deeply that it was necessary to prevent such a tragedy in the future and, after the war, to establish a universal international organization so that all the countries in the world could work together and coordinate in a unified way to guarantee postwar world peace and safety. In order to reflect this strong demand of the people of all countries in the world, the founding members of the United Nations clearly stipulated in the "United Nations Charter," which they later unanimously approved: The aim of the United Nations is to "oppose war and aggression, safeguard world peace and safety, oppose intervention and power politics, develop friendly relations among all countries in the world on the basis of respecting the equal rights and principle of self-determination of the people of all countries in the world, and enhance universal peace, promote economic, social, and cultural cooperation among all countries in the world so as to eliminate the economic and other factors which might cause a new world war." In order to realize this aim, the "United Nations Charter" further stipulated: All countries must establish their mutual relations

according to the following principle: As the sovereign rights of all countries in the world are equal, to settle international conflicts by peaceful means, member countries of the United Nations cannot use force to threaten or violate the territorial integrity and political independence of other countries and cannot intervene in the internal affairs of other countries; nor can the United Nations intervene in affairs which are in nature within the jurisdiction of any country and so forth. All these embodied the aspirations of the people of the entire world, who had suffered from the catastrophe of power politics and war, for equality, independence, and everlasting peace. They represented the ideals and hopes of all peoples in the postwar period.

However, for quite a long time since the founding of the United Nations, contrary to the expectations of the people of all countries of the world, the aim and principle set in the "United Nations Charter" have not been duly respected, and have even been publicly trampled. Some big countries have used the United Nations to pursue their own private interests. The big countries have not only carried out armed aggression against small countries, but also launched aggressive wars in the name of the United Nations. China was long deprived of its legal seat at the United Nations and the representative of the Chinese people was long refused entry into the United Nations. This greatly reduced the universality and effectiveness of this international organization. Since the two superpowers began to contend for world hegemony, the United Nations has become their arena of rivalry. The consistent principle of the five permanent member states of the Security Council of the United Nations has entrusted the permanent member states with the lofty responsibility of safeguarding world peace. But people have seen that some big countries have recklessly used their veto power to protect their aggressions and expansions, almost bringing the United Nations to a standstill. All this has caused strong indignation and accusations from the governments and people of all countries, both inside and outside the United Nations. It has left a blemish, which cannot be easily washed off, on the history of the United Nations.

In the past 40 years since the end of World War II, the world situation and international relations have greatly changed. The United Nations has also had changes of great historic significance.

In the 1950's and 1960's, most countries in Asia, Africa, and Latin America, one after another, cast off the yoke of colonialism, gained national independence, and joined the United Nations. Since then, these countries have formed an important political force in the world and have been changing the face of the United Nations.

At the time when the United Nations was founded, among the 50 founding members there were only 13 Asian and African countries. Almost one-third of the world's population was still under colonial rule. The 1955 Bandung conference of Asian and African countries showed the determination of the Asian and African countries and people to unite together to oppose imperialism and colonialism and win and safeguard their national independence. The conference also marked the awakening of the countries in Asia and Africa and

the rise of the Third World and greatly inspired the development of the national liberation movement. The many newly independent countries who entered the United Nations infused it with fresh blood and greatly changed its relative strength. Today, there are 159 members of the United Nations; two-thirds of these Third World countries, which accounts for an overwhelming majority.

The broad masses of the Third World countries and other peace-loving countries in the world have been trying their best to safeguard the principle of the "United Nations Charter." They have opposed power politics and played an ever important role in world affairs. This has made it increasingly difficult for some big countries to manipulate and master the United Nations. It has changed the situation where big countries wantonly ordered others about. The rostrum of the United Nations has become an important arena for the broad masses of the Third World countries and the medium-sized and small countries to uphold justice, denounce aggression and expansion, and carry out the struggle against imperialism and hegemonism. The United Nations has also expressed the wishes of the broad masses of Asian and African countries, passed a series of important resolutions which are beneficial to Third World countries, supported national self-determination and national independence, and politically and morally pushed forward with the progress of the world decolonialization movement. The increase in the number of seats in the Security Council and the Economic and Social Council of the United Nations has enabled more Third World countries to participate in UN affairs and decisions. At the 26th UN General Assembly in 1971, the overwhelming majority of UN member states enthusiastically voted for the resolution to restore China's legal seat at the United Nations. This historical victory, gained after a long struggle, safeguarded the principle of the "United Nations Charter." It upheld justice and further enhanced the strength of the Third World countries in the United Nations. On questions of supporting the Palestinian people to restore their national rights, opposing Israeli aggression and expansion, supporting the just struggle of the South African people and the countries in southern Africa, accusing the South African regime of racism and expansionism, and opposing the superpowers' direct and indirect armed aggression and military occupation of Afghanistan and Cambodia, the United Nations has also made a series of correct resolutions with the support of the Third World countries.

At the UN disarmament conference, representatives of many countries have expressed grave anxiety over the nuclear arms race between the superpowers. They have put forward many suggestions aimed at easing tensions and preventing nuclear war. These countries also urged the superpowers to reduce their stockpiles of nuclear weapons and demanded that all nuclear weapons be completely prohibited and thoroughly destroyed. Numerous conferences concerning international economic and trade development have been held under the auspices of the United Nations. The United Nations has also provided a forum for the North-South talks. The "Manifesto on Establishing a New International Economic Order" and the "Charter Concerning the Economic Rights and Responsibilities of Various Countries," which were unanimously passed by the sixth special UN General Assembly in 1974, specifically outlined the principles and direction in thoroughly changing the present unfair

and unreasonable international economic relations. The "UN Treaty on the Law of the Sea," although it has not yet been implemented, has formulated the legal maritime rights of the broad masses of developing countries.

These important changes in relative political strengths in postwar international relations have improved the situation at the United Nations. The United Nations can now express--to a greater degree than ever before--the common wishes of the people of the whole world for safeguarding peace, opposing the arms race, aggression and expansion, and promoting development and cooperation.

The 40-year history of the United Nations tells us that, as the biggest international organization participated in by governments of most countries in the world, it has not been able to isolate itself from the world's political realities. Like a mirror, it reflects the struggles and changes amidst the various contradictions in the world. At the same time, it shows the restraint of the various forces. Today, in our turbulent and troubled world, the arms race, especially the nuclear arms race between the super-powers, is still continuing, mankind still faces the threat of nuclear war. There have been continuous regional conflicts, invasions of other countries, and interventions in the internal affairs of other countries. Developing countries are still burdened with serious debt crises and unfavorable trade conditions. The North-South economic gap is expanding. Various efforts by the developing countries to further push forward with the North-South talks have met with serious obstacles. According to the "United Nations Charter," the United Nations is entrusted with the heavy responsibility of safeguarding world peace and promoting international cooperation. The people of various countries thus expect it to uphold justice, safeguard world peace and safety, promote the common development of the whole world, and contribute to the well-being of mankind. But the fact is, whenever world peace and safety are threatened, the international situation becomes tense, and the United Nations needs to play a role, the activities of the United Nations are hindered. It is often difficult for the United Nations to take action. Most of the member states of the United Nations have been trying their best to safeguard world peace and safety, promote the common prosperity of the world economy, check hegemonism, expansionism and aggression, and reduce the growing North-South gap between the rich and poor. They have made a series of resolutions, but these have encountered many difficulties in being implemented. This has greatly affected the prestige of the United Nations.

Although the United Nations has to be restricted by world politics, it also acts on world politics. As the world's most important international organization, the United Nations is now playing a more important role in world affairs, more so than any other international organization. Compared with other international organizations, the United Nations has the most member states and the widest representation in the world. The UN system of each country having one vote and principle that the sovereign rights, independence, and internal affairs of all countries in the world cannot be violated have embodied the spirit that all countries, big or small, are equal. Although the United Nations does not have rights which overstep

the sovereign rights of its member states, it has the highest prestige and is highly respected by the governments of all countries in the world. Its wide range of activities in safeguarding world peace and safety and promoting international cooperation have achieved remarkable success. As far as the development of international relations over the past few years is concerned, the following roles of the United Nations must be fully affirmed:

First, the United Nations has already become the most important international rostrum for all member states. Here, all countries, big or small, strong or weak, have the right to speak. The representatives of various countries can use this rostrum to outline the foreign policies of their respective governments and express their views on international affairs. Through discussions on various major international issues, the voice of the majority often becomes the mainstream of world opinion, and a moral force which cannot be ignored. Countries which are bullied and intervened with can use this rostrum to accuse and denounce other countries and appeal for the support of the international community. For these reasons, the United Nations is becoming more and more important to the Third World countries and the medium-sized and small countries, and it is generally supported by them.

Second, the United Nations is an important organization which makes international law and decides the scope of international activities. Now, various principles concerning multilateral relations among various countries, some laws and regulations concerning the development and use of world resources, and rules and standards used by various countries in dealing with the special international matters and so forth can no longer be made presumptuously by some big or strong countries without considering the interests of the small or weak countries. The United Nations plays a leading role in the work of making, developing, and compiling international law. For example, the Vienna Diplomatic Relations Convention, the Law of Sea Convention, the Convention Against Racial Discrimination, the Convention Against Discrimination Against Women, and so forth are outstanding conventions supported by the United Nations. According to the regulations of the "United Nations Charter," the important declarations and resolutions passed by the UN General Assembly are only suggestions, but they have great political influence. For example, many resolutions concerning disarmament, outer space, economics, and society have become guiding documents in upholding justice and promoting development and cooperation in international relations.

Third, the United Nations is an important channel for mitigating international conflicts. The United Nations cannot control the world's armed conflicts and wars. However, once such peace-destroying incidents happen, the United Nations, especially its Security Council, as an important organization for safeguarding peace and safety, has the responsibility to discuss such incidents and make resolutions. Although UN activities carried out according to the regulations of its charter are often hindered, under certain circumstances, intervention by the United Nations can prevent conflicts from spreading, some times the United Nations can even bring about a peaceful settlement. UN peacekeeping actions and the

activities of UN military observers, plus the efforts of the UN secretary general to settle armed conflicts according to the resolutions of the UN General Assembly and the UN Security Council, can also help ease international tensions.

Fourth, the United Nations is an effective arena for promoting international intercourse and strengthening international cooperation. The growing influence of the United Nations is gradually allowing that body to become the center for the international community in jointly solving various economic and social problems of common concern. Owing to the fast development of science and technology in the world, such various problems faced by mankind as environmental protection, administration of international transport and communications, peaceful use of outer space and the seabed, and so forth cannot be solved by the efforts of just one country or several countries. The United Nations and its specialized organizations have therefore become the bridge that links all the countries in the world. Over the past few years, the United Nations and its specialized organizations have done a lot of significant work in such areas as providing development aid, grain production, agricultural production, water conservancy, medical treatment and health protection, providing relief to the famine-stricken people of Africa, protecting the legal rights and interests of women and children, resettling refugees, controlling population, showing concern for the old, providing welfare to the handicapped, and so forth. The work of the United Nations has been highly valued by the international community.

Doubtlessly, today's United Nations is different in nature from the international alliance established after World War I. The United Nations is more advanced because it was founded after World War II, at a time when history had greatly advanced and the people of the world were more awakened. However, in today's world, power politics have not yet disappeared, people should remember the lesson of the failure of the first great international alliance. If the United Nations really wants to fulfill its duty and play a more important role, the test is whether it can resist and oppose power politics, force the superpowers to respect the "United Nations Charter," rely on the unity of the broad masses of the Third World countries and other peace-loving countries, and carry on the struggle of safeguarding world peace. In the present turbulent world, the people of the world place ardent expectations on the United Nations.

As a founding member of the United Nations and a permanent member of the UN Security Council, China has consistently taken the duty of safeguarding the aim and principle of the "United Nations Charter" as its honor-bound duty in international activities. Even in the days when the People's Republic of China was deprived of its legal seat at the United Nations, China had the same attitude. The five principles of peaceful coexistence advocated and followed by the Chinese Government and China's neighboring countries in Asia are consistent with the aim and principle of the "United Nations Charter." Since China regained its legal seat at the United Nations, together with other member states of the United Nations, the Chinese Government has made unremitting efforts for the realization of the aim and principle of the "United Nations Charter." China is a developing socialist

country and belongs to the Third World. In safeguarding world peace and promoting international cooperation and development, China and the broad masses of Third World countries and the medium-sized and small countries have common interests and hold identical views. As a permanent member of the UN Security Council, China has always strived to reflect the voice of the Third World, medium-sized, and small countries, firmly supported their just struggle, and continuously strengthened unity and cooperation with them. China will continue to stick to this line and live up to the trust and expectations of the broad masses of the Third World, medium-sized, and small countries.

Today, when all countries in the world are celebrating the 40th anniversary of the founding of the United Nations, looking back on the past and looking forward to the future, we have confidence in the United Nations, because: In today's world, the force of the people, the force of peace, the force of national independence, and the force of social progress have greatly increased, and will continue to increase. We hope to see the United Nations play an even more important role in safeguarding world peace, promoting international cooperation, and pushing forward with the development of various countries. Together with all the countries in the world, China is willing to work hard and contribute to the realization of the lofty goal of "enabling the United Nations to create a beautiful world."

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CSO: 4004/9

STRENGTHEN AND IMPROVE IDEOLOGICAL AND POLITICAL WORK IN ENTERPRISES DURING
THE NEW PERIOD

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 24-27

[Article by Wang Fang [3769 5364]; capitalized passages published in boldface]

[Text] The "Decision" of the 3d Plenary Session of the 12th CPC Central Committee clearly pointed out: "In the new period, the party's ideological work and organizational work must strictly follow the guiding policy of serving the realization of the party's general task and goal, and closely relate to the economic construction and reform of the economic structure." In order to suit the new situation and effectively strengthen and improve ideological and political work in enterprises, the most important thing to do is to firmly and resolutely implement this guiding policy in ideological and practical work, so as to satisfy the needs of the construction of socialist modernization and the overall reform of the economic structure.

At present, some people in our society are saying that "it is the spring of reform now, but a slack season for ideological and political work"; and that "since various forms of economic responsibility systems have been established in the enterprises, ideological and political work can be laid aside." This viewpoint, which sets the reform of the economic structure against ideological and political work, is entirely wrong.

In the overall reform of the economic structure, ideological and political work in enterprises should not be weakened or annulled. Rather, it should be vigorously strengthened. The reasons are: 1) The reform of the economic structure is a profound transformation of the production relations and the superstructure. It is not only aimed at changing the old structure which does not suit the development of productive forces, but also at changing the people's way of thinging, way of life and mental attitude. It concerns the immediate interests of every person and touches people in their thinking, ideas, habits and customs. For this reason, there are inevitably different views and opinions toward the reform. Some are correct and some are incorrect. The incorrect views will naturally obstruct the reform and become obstacles. By unifying the people's understanding of the reform through painstaking ideological and political work they can be freed from the trammels of erroneous influences and old habits and become firmer and more conscientious in carrying out the reform. This guarantees the smooth

progress of the reforms. 2) Since we are carrying out the policy of opening up to the outside world and enlivening the domestic economy, decadent capitalist ideology and a bourgeois way of life may affect and corrode the workers in our enterprises, and some negative and rotten phenomena may also emerge. Thus, it is also necessary to raise the consciousness of the workers, through ideological and political work, so that they can resist and prevent the corrosive influence of capitalist ideology. 3) The central link of the reform of the economic structure is to enhance the vitality of enterprises. The "Decision" of the third plenary session pointed out: "The source of vitality of enterprises lies in the initiative, wisdom, and creativity of both mental and physical workers." Facts prove that in order to mobilize the workers' initiative, wisdom, and creativity, we cannot merely rely on material rewards. We must also strengthen ideological and political work and kindle their sense of responsibility as masters of their own houses. It is appropriate to say that all policies and measures of our party and government concerning the reform can become the conscientious action of the cadres and masses only through effective ideological and political work. Without powerful ideological and political work, the reform cannot develop with the correct orientation.

How do we strengthen ideological and political work in the new period? Of course, it is necessary to adopt a series of measures, such as: perfecting the organizations responsible for ideological and political work in enterprises, and taking appropriate measures to enhance these organizations; selecting a number of young cadres who are well educated, quick-thinking, and fond of this work to strengthen the ranks of cadres in charge of ideological and political work, so as to gradually change the present status which is characterized by the higher ages and lower educational level of political work cadres; and doing a good job of training cadres engaging in ideological and political work so as to continuously improve their quality and ability, while at the same time, correctly handling problems concerning their political and material treatment, especially equal material treatment with professional cadres. But what is more important is to vigorously improve ideological and political work in the new period. In view of past mistakes in ideological and political work, and the needs of the construction of modernization in the new period, I think we must improve our ideological and political work concentrating on the following three aspects.

FIRST, TO THOROUGHLY ELIMINATE "LEFTIST" INFLUENCES SO THAT IDEOLOGICAL AND POLITICAL WORK CAN BECOME MORE REALISTIC AND BE CARRIED OUT IN A MORE REASONABLE WAY.

There are many manifestations of "leftist" influences in ideological and political work. But the main example is in regarding this work as a means to make other people suffer and regarding those who are educated as the target of attack. The people who are influenced by "leftist" ideas often like to wield big sticks and put political labels on others. When they find other people's mistakes, they like to exaggerate them to an unlimited extent. It seems to them that the more they exaggerate other people's mistakes, the higher their combat effectiveness will be proved. In fact, this can only result in hurting the feelings of our comrades and sharpen the contradictions

among the people. In the new period, we must resolutely abandon this erroneous practice in ideological and political work.

The targets of ideological and political work are men, and men are thoughtful and sympathetic. In order to do a good job in this field, it is necessary to pay attention to the people's "feelings." It is necessary to arouse their consciousness in a reasonable way and give them more spiritual strength rather than spiritual wounds and shackles. It is necessary to severely criticize erring comrades or even take disciplinary measures against them. But our purpose is to save them, not to make them suffer. While doing ideological and political work, we must take a realistic attitude toward our comrades, including the erring ones. We must carry out the work in a reasonable way and give sympathetic consideration to the targets of this work (of course this does not mean to accommodate mistakes). We must convince people by reasoning and touch people by our friendly feelings. In the past, some people held that emphasizing human feeling was an expression of the bourgeois theory of humanity. This is incorrect. Marxism only opposes abstract humanity which transcends classes in a society composed of antagonistic classes, and which covers up capitalists' oppression of workers. It has never opposed all kinds of humanity in general. Marx himself was "a good friend and attentive husband and father," who was most affectionate. (Paul La Fargue: "In Memory of Marx") China's great revolutionary, thinker, and writer Lu Xun also wrote in a poem: "Heartless men are not necessarily real heroes." Therefore, we must justly and boldly take respecting people, caring for people, and loving people as an important principle in our ideological and political work. In carrying out ideological and political work, only when we pay attention to both principles and human feelings, and supplement the former with the latter, can we get twice the result with half the effort. This is the law of ideological and political work.

SECOND, TO CHANGE THE STATUS OF IDEOLOGICAL AND POLITICAL WORK CONFLICTING WITH ECONOMIC WORK, SO THAT THE FORMER CAN PERMEATE THROUGH AND BE CARRIED OUT TOGETHER WITH THE LATTER.

For a long time past, a common problem in ideological and political work in the enterprises has been that this work is divorced from, or sometimes even placed in opposition to, economic work. As a result, it becomes separated from the latter. This phenomenon must be changed. The basic task for ideological and political work in enterprises is to serve economic work and to play the role of supervision and guarantee in enterprise production and management. The reasons are:

1. Since the central task of the enterprises is to develop production, ideological and political work in the enterprises should certainly serve this goal. If ideological and political work is divorced from this goal, not only will it become mere "empty talk" and its role be weakened, but there will also be new contradictions between this work and economic work in order to compete for time and position. As a result, the development of economic work will be affected.

2. The thinking of staff and workers cannot be separated from the economic activities of the enterprises. The ideological quality of the staff and workers can be improved only when ideological and political work permeates economic work and all the links in production, exchange, distribution, and consumption to educate the staff and workers in how to handle correctly the relations between immediate and long-term interests and partial and overall interests; between the state, the collective, and the individual; between production and daily life; and between labor and remuneration, and to educate them in how to break with the traditional concept of narrow and small production and replace it with the new idea of the commodity economy. This will be conducive to promoting production and raising economic returns.

3. Only when ideological and political work is carried out in the course of management and operation can it be carried out with a definite object in view. This will ensure that the party's line, principles, and policies are better implemented; the laws and regulations of the state are observed; the plans and tasks assigned by the state are effectively fulfilled; and the socialist orientation of the enterprises is maintained.

Carrying out ideological and political work is the main task for party organizations in enterprises. In order to make ideological and political work permeate through economic work, the work of the CPC committees in enterprises must suit the demands of practicing the new system of factory directors assuming full responsibility, and must shift their main energy to carrying out ideological and political work rather than taking charge of everything as in the past. If they do not do so, they will be unable to use more energy to study the laws governing ideological and political work in enterprises and do the work well. They may also obstruct the economic work of the enterprises. Of course, while grasping ideological and political work, the CPC committees must also take economic work into consideration, because ideological work must be based on production and proceed from the needs of production. Likewise, the comrades directly engaged in economic and technical work, such as factory directors, managers, administration cadres, and engineers and technicians, must also take ideological and political work into account while grasping economic work. This is because in order to grasp production it is necessary to take ideological work as the point of departure and do the work concerning people well. It is a lopsided view to believe that ideological and political work is merely a matter for CPC committees, and has nothing to do with people in charge of economic work. This view is one of the ideological roots for the divorce of ideological work from economic work. Apart from this, another important cause of this divorce is the long-standing fact that the cadres in charge of political work are not familiar with production, while those in charge of production are not familiar with political work. For this reason, in the future, the cadres in charge of production must learn something about political work, and the cadres in charge of political work must learn something about management and modern science and technology. Thus, they will be able to work in a more harmonious way and cooperate with each other to promote the work in all fields of the enterprises.

THIRD, IT IS NECESSARY TO MAKE GREAT EFFORT TO IMPROVE THE METHODS OF IDEOLOGICAL AND POLITICAL WORK.

In order to carry out ideological and political work, we must pay attention to the method. Without good methods, we will be unable to achieve the expected results even if we have very good motives.

1. It is necessary to oppose empty teaching. Giving reasons is the central link of ideological education. We cannot do the work well without reasoning things out. The problem is that we must oversimplify methods in doing so. Particularly, we must oppose empty teaching which does not take into consideration the ideological reality of the other side. At present, as the staff and workers in the enterprises have a relatively high educational level, they can understand some general principles from books and newspapers at any time. If we just talk about some irrelevant general principles, such as "obeying organizational instructions" and "adopting a correct attitude," to the neglect of the people's ideological problems, we will be unable to solve complicated ideological problems and will possibly displease the people. An ideological problem is a combination of contradictions formed with various reasons. It is necessary to adopt a policy of advice and "state the reasons" in light of the concrete ideological problems of each person, and after making a concrete analysis of both the subjective and objective causes of these problems and predicting their trend of development and possible consequences. By saying "state the reasons," we mean to state the reasons clearly on various aspects. We must stress both major and minor principles. While emphasizing personal responsibility, we must also pay attention to objective causes; while emphasizing ideals and discipline, we must also take into consideration the real difficulties of the people concerned and adopt correct methods to deal with difficulties and practical problems. It is necessary to grasp the crux of the ideological problems of each person and use different methods to deal with different people or problems, so that ideological and political work can touch a chord with the people. Only thus can ideological and political work display its great power.

2. It is necessary to carry out multichannel and multiform education so that ideological and political work can be carried out more vividly and vigorously.

Carrying out multichannel and multiform education is an objective demand of this period of great social transformation. At present, as our society is in a period of great transformation, all kinds of ideology in the society have been reflected in the enterprises through various channels and in various forms. If we only pay attention to the enterprises and cut off their relations with society, we usually cannot grasp the crux of the problems and cannot make a breakthrough. Carrying out multichannel and multiform education is also a demand of strengthening ideological education among young workers. The young workers are the most active and energetic forces in the enterprises. They represent the future of the enterprises. At present, in many enterprises, young workers make up about two-thirds of the total number of staff and workers. Their ideological quality has much to do with the work of the enterprises. Therefore, strengthening ideological education among them is a pressing task. Thus, it is necessary to change the rigid way of

doing ideological and political work so as to suit the characteristics of young people, who have wide social contacts and are active thinkers.

Multichannel education means to carry out education through various channels, such as enterprises, society, and families, and combine the education in enterprises with the education in society and families. The advantage of this is that we can more easily and fully obtain information about the thinking of staff and workers from various sources, and make our ideological education more predictable and accurate and carry it out in good time. The results of ideological education can also be improved by making full use of the wisdom and efforts of the people in various fields. For example, some enterprises have invited the parents of young workers to factories at regular intervals and reported to them the ideological problems of their children in the factory. They analyzed the workers' ideological trend with the parents and discussed with them measures to be adopted, thus achieving very good results.

In order to achieve better results in the enterprises' ideological and political work, it is also necessary to change the past rigid forms of education, such as "holding mobilization meetings," "holding group discussion," and "one speaking to all." It is necessary to make full use of books, journals, films, television, broadcasts, and other propaganda and educational means, and adopt various forms such as book comments, lectures, and book-reading contests to carry out concrete and vivid education. It is especially necessary to carry out some wholesome cultural, recreational, and sporting activities to suit the needs of young people and to make the workers' life after workhours more vivid and colorful. In this way, education can be combined with the workers' recreational activities.

Ideological and political work is a science. In the new situation, we must endeavor to carry forward the party's good traditions and style in this work and continuously explore its characteristics and laws in the new period. We must give full play to the role of ideological and political work in the reform of the economic structure and work hard to open up a new prospect in this work.

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CSO: 4004/9

INTEGRATE IDEOLOGICAL AND POLITICAL WORK WITH ROUTINE PROFESSIONAL WORK--A
SURVEY CARRIED OUT IN THE SHOUDU IRON AND STEEL CORPORATION

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 28-32

[Investigation report by Ma Zhongyang [7456 0112 2254]]

[Text] "Integrating ideological and political work with routine professional work" is a correct idea. However, the question of how we can integrate our ideological and political work with our routine professional work when doing our normal work is a question that we have to continue to probe while enriching and improving our understanding of it. The Shoudu Iron and Steel Corporation has provided us with noteworthy experience concerning ideological and political work in the process of the reform. This enterprise with 120,000 staff and workers ranks in the forefront both in our country's metallurgical industrial sector and among the enterprises in Beijing. Its conscientious and effective ideological and political work is indispensable in scoring this achievement. Recently, we have surveyed this question.

Figures That Mark Vitality

The reform in its ideological and political work was carried out simultaneously with the development of the whole reform. The Shoudu Iron and Steel Corporation began its reform in 1979. The achievements of the reform in the past 6 years can be shown through a series of figures. These figures also show very convincing evidence that it has done its ideological and political work satisfactorily.

The Shoudu Iron and Steel Corporation is an enterprise that is assigned contracted responsibility for fulfilling a designated quota for annual increase of profits. For 6 consecutive years, it has increased its profit by 20 percent annually. During those 6 years, it delivered a total of 2,413 million yuan of profits to the state, an amount equal to 157 percent of the total value of its current net fixed assets. Taking into account the newly added fixed assets that it has acquired with its own retained funds during the 6 years, it has earned a profit that doubles the value of its fixed assets. However, in the 30 years before the reform, after deducting the funds that the state gave back to it for its investment in fixed assets, the Shoudu Iron and Steel Corporation delivered to the state only 430 million yuan net. Its per capita industrial output and tax payment rose 102 percent from 5,017 yuan in 1978 to 10,130 yuan in 1984.

Its gross industrial output value was 956.84 million yuan in 1978 and rose to 1,373.46 million yuan in 1984, an average increase of 6.2 percent. Its net industrial output value was 301.71 million yuan in 1978 and 753.60 million yuan in 1984, an average annual increase of 16.5 percent.

During the 6 years, the rate of increase in its net output value was greater than that of its gross output value; while that in its realized profit was greater than that in its net profit. The ratio between them was 1:3.3:4.6. It has thus achieved a unity between speed and economic results.

Today's Shoudu Iron and Steel Corporation is a product of its self-development, self-transformation, and self-accumulation. Did it retain too large a share of its profits? Did it distribute too much to its staff and workers? These were questions that people often asked when they visited the corporation. The people in the corporation gave the following explanation with figures: During the 6 years, its total retained profit was 515.71 million yuan, only accounting for 18.8 percent of the 2,743.69 million yuan of its total realized profit and tax payments in that period. The total wages for its staff and workers was 73.01 million yuan in 1984, which meant an average annual increase of 13.4 percent during the 6 years over the 34.33 million yuan in 1978. The ratio of the rate of increase in realized profit to that in total wages in that period was 1:0.79. In 1984, the per capita monthly income of its staff and workers was 103.67 yuan, an increase of 71 percent over the 60.6 yuan in 1978. The ratio of per capita income to per capita realized profit and tax payment dropped from 14.5 percent in 1978 to 10.08 percent in 1984, being the lowest among the 10 major iron and steel enterprises at home.

In 1984, the Shoudu Iron and Steel Corporation ranked first in 35 of the 70 comparable technological and economic indexes in the country's entire metallurgical industrial sector. For example, its return for capital employed, an index that comprehensively reflects the administration and management level of our enterprises was 41.39 percent for 1984 (only 18.34 percent for 1978), ranking first among the nation's 10 major iron and steel enterprises. The rate of profit to output value was 42.22 percent, nearly double the average of the country's metallurgical sector. The utilization coefficient of its blast furnaces is 2.22, the average of all the key iron and steel enterprises in the country is only 1.649. The turnover period of its quota floating funds is 67.61 days; the per ton consumption of energy for the production of steel in terms of comparable items is 912 kilograms of standard coal; the grade of selected ore is 68.51 percent; the grade of tailings is 6.47 percent; and the per capita profit and tax payments are the highest among the country's 10 major iron and steel enterprises, 32.66 percent more than the average. Six of the indexes for the Shoudu Iron and Steel Corporation rank among the highest in the world. They are the utilization coefficient; the input coke ratio for its blast furnaces; the comprehensive coke ratio in iron-melting; the life of its converters; the utilization coefficient of its converters; and the grade of its selected ore powder. From these figures, we can see that the Shoudu Iron and Steel Corporation not only ranks highest among other enterprises of the same trade at home, but has also attained advanced indexes of the international metallurgical industrial sector.

In regard to staff and worker welfare during the 6 years, the corporation used its retained funds to build 710,000 square meters of residential housing for its staff and workers, a figure equal to 150 percent of the total residential housing area that it built in the 30 years after the founding of the PRC. There has also been a relatively sharp increase in other welfare facilities for its staff and workers.

There have also been tremendous changes in the features of the factory area. Before the reform, thick smoke and fog spread all over the factory area. "White clothing put on in the morning becomes black by the evening." There were materials, goods, and polluted water everywhere and serious pollution of both the atmosphere and soil. Now, things are entirely different. Both the yellow smoke and the black water were removed. Furthermore, the entire factory area has become a park with shady green trees and flower beds everywhere. In particular, there is a "rose garden" covering more than 10 mu of land in which thousands of red and purple roses grow and bees and butterflies fly to and fro, which has become a recreation site for workers. The greening achievement of the corporation is well known and more than 27 percent of its land has been covered by plants, a much bigger percentage than that of the Beijing municipality urban area and of other factories in the metallurgical sector.

The changes in the workshops are even more surprising. The most typical change has taken place in the sintering plant and blast furnace No 2. The workers there wear clean, white coats and sit at computer screens directing production. There are no soiled or dirty workers to be seen.

Integrate Ideals With Reform

The ideological and political workers and the department of ideological and political work there enjoy high prestige among the staff and workers. They know the vocational work related to production well, are familiar with the affairs of the entire enterprise, are very clearly aware of the trend of thought among the masses of people at the basic level, and are well-informed on everything. All people in the corporation, at upper or lower levels, think that they are "people indispensable for both the leading groups and the masses of people." Therefore, they get the same remuneration as those working on the first line of production and have also been selected as advanced workers and model workers. They work in the first line in reality as well as in name.

At the beginning of the reform, there was widespread discussion in our community about the "issue concerning the criterion for truth." The staff and workers in the Shoudu Iron and Steel Corporation also carried out a wide-ranging and deep-going discussion. The discussion centered on the question of whether we had to adhere to the criterion of practice, seek truth from facts, and proceed from reality in doing everything or continue to act in accordance with the idea of the "two whatevers." Through this discussion, everyone agrees that if they do not overcome their rigid thoughts, they will not be able to break the old conventions; that if they do not emancipate their minds, it will be impossible to carry out a reform in the Shoudu Iron

and Steel Corporation; and that if no reform is carried out, there will be no future for the corporation. It was precisely this discussion which not only laid the ideological foundation for the reform, but also the foundation for creating a new situation in its ideological and political work.

Since then, in all mass study and discussion, relevant education was carried out closely in the light of the reality of the corporation and the ideological problems among the staff and workers. For example, when they studied the documents of the 12th CPC National Congress, they linked the strategic target of "quadrupling" and the task of building a socialism with Chinese characteristics with the corporation's tasks. In 1983, the corporation organized all its 110,000 staff and workers to receive full-time training by turns. The training combined the study of the "Collected Works of Deng Xiaoping" with the reform in the enterprise. In 1984, it combined the study of the documents of the 3d Plenary Session of the 12th CPC Central Committee with the development of diversification in the operation of the corporation, regarding one production as the core. By so doing, it made its staff and workers fully understand the fact that the economic responsibility system with the assigning of responsibility by contracts as the core is a new way to satisfactorily run the enterprise and develop the economy. Through the above-mentioned study, it has roused the reform enthusiasm of its staff and workers, strengthened the staff and workers' confidence in carrying out the reform, urged the staff and workers to behave as masters of the enterprise, and heightened their sense of responsibility, mission, and pride in bravely shouldering heavy responsibility.

In the light of the experience it has gained in its practice, the Shoudu Iron and Steel Corporation CPC Committee holds that the deeper the discussion which combines ideological and political work with the reform practice in the enterprise, in which the topics are found in the reform and the problems are solved through practice, and which links the lofty ideal of communism, the magnificent goal of the socialist four modernizations, and the general task of the corporation with the actual targets of each unit and the actual requirements for the posts of all the individuals in the groups and teams; the warmer and more vigorous the discussion, and the more marked the results of the discussion. The discussion has closely combined the thoughts and deeds of individual staff and workers with the collectives and state. In their own words, "The ideal is in our hearts, in our hands, and at our posts." Thus, they have turned ideological and political work into an indispensable important constituent part of the enterprise and have played a role in charting paths, removing obstacles, and giving impetus to the reform and in heightening the ideology and awareness of the staff and workers.

In general, the staff and workers in the Shoudu Iron and Steel Corporation think that ideological and political work should not be regarded as a task merely for a small number of cadres and functional departments, but is a task for all people and a task that they should all carry out. In this corporation, the comrades who work in the administrative leading posts at all levels as well as those who do party work, do ideological and political work. Moreover, each of the 23,000 CPC members does ideological and political work. They have established a system to link party members with the

masses of people and organized an ideological and political work network that spreads all over the corporation. They have also established a system of propaganda consisting of propaganda groups at factory and mine levels and propaganda workers at three levels and formed a mass propaganda contingent consisting of 7,000 people. Taking into account party members and deducting any overlapping calculation, there are in all 26,000 people who do ideological and political work. Those people constitute about one-fifth of the total number of staff and workers. As soon as there is a task of ideological and political work, it is divided up level by level downward and assigned to departments, posts, and individuals according to the economic responsibility system. The fulfillment of the task is strictly assessed. As a result, the contents of their ideological and political work are genuine and sound and the task of this work is properly assigned to people in an organized manner so that its fulfillment is guaranteed. Like a routine professional work cadre, a political work cadre should also be assigned a clear and definite task and responsibility. This will not only prevent empty preaching, but will also enable us to assess his work by its results and reward or punish him accordingly. The cadres and masses of the Shoudu Iron and Steel Corporation unanimously agree that their ideological and political work has displayed great power throughout the process of reform.

The Difficulties in Economic Work Are the Focuses of Ideological and Political Work

Giving play to the staff's and workers' mentality of being the masters of the enterprise and heightening their sense of responsibility and mission have laid the foundation for the formulation of scientific management systems and regulations.

The core of the management of the enterprise is the economic responsibility system. The Shoudu Iron and Steel Corporation has a system of assigning contracted responsibility for an annual increase in profits. Inside it, there is an economic responsibility system that combines responsibility, power and interests and assigns job responsibility by contracts at each level from the top down, characterized by totality, guarantee, and assessment. Totality means that all the responsibility is divided up and assigned so that each person is assigned a post and shoulders the responsibility for that post. In other words, the responsibility (including targets, and major technological and professional tasks) is assigned to people in an all-round manner and thus the labor force is scientifically and strictly organized. Guarantee means that the relations of coordination are regarded as conditions for people to ensure the fulfillment of each other's tasks. Assessment means that the terms for the assignment of responsibility and the guarantee are strictly checked and assessed so as to strictly and wisely reward and punish the workers and staff.

For the staff and workers in the Shoudu Iron and Steel Corporation, including their family members, observing the law, discipline, and regulations has already become a habit in their production and livelihood. This has indeed embodied the quality and character of the working class. We all know their

"four 100 percents": 100 percent fulfillment of the tasks stipulated by the economic responsibility system; 100 percent implementation of all regulations; 100 percent recording of any violation of regulations and reporting them to the upper levels; and 100 percent punishment of offenders by reduction of bonuses in the months concerned. These four 100 percents have already become a law that all people ranging from the general manager and the party committee secretary to ordinary workers consciously observe and a discipline to be strictly imposed without exception.

The model staff and workers in the enterprises are also model citizens in the community. "People of the Shoudu Iron and Steel Corporation" are masters not only of their enterprise, but also of the society. Through continuous ideological and political education, showing concern for the state and collective, taking the initiative to cooperate with one another, and strictly observing discipline have already become a new general mood of society in the corporation. These people advocate the following five mentalities: charting out paths to forge ahead, behaving as masters, carrying out indomitable hard struggle, taking the initiative to blaze new trails, and racing against time. When people are investigating the corporation, they will be inspired by these mentalities through contacting the staff and workers there, and thus have a sense of urgency related to our era. When we were making the investigation, the hosts briefed us on what had just taken place. The readjustment of the prices of goods had just begun, but in the period when vegetable prices were sharply rising, there was good order as usual among the staff and workers there and the rate of attendance did not decline. The department of ideological and political work found that the number of people dining in the canteens fell and those who brought lunch boxes with them rose. As soon as the party committee got this information, it immediately studied this problem and decided to send 40 model workers to directly purchase vegetables in areas other than Beijing to supply the canteens. It also immediately announced a reduction of vegetable prices in the canteens in sharp contrast with the rise in prices elsewhere. The reason it sent model workers was because they enjoyed high prestige among the masses. Since the leadership had such firm resolution, they could overcome any difficulty. The handling of this problem was a test for the leading group and the staff and workers and also for the entire ideological and political work.

In the process of carrying out ideological and political work, they have regulations to follow and measures to adopt; therefore, the staff and workers can actually see and know what they are doing and know that they do not utter empty principles or vague "meaningless words" that cannot be explained. They have made efforts to criticize the doctrine of refraining from offending anyone and egalitarianism, because these malpractices are two major obstacles to the implementation of the economic responsibility system and the various regulations, and because they were somewhat prevalent. They widely called on people to discuss the harm of these two malpractices. As a result, everyone there knows that egalitarianism feeds lazy people and the doctrine of refraining from offending people can cause fatal harm. In coordination, the two malpractices caused the food in the "big pot" to continually reduce, made the state poor and the people themselves suffer, and made socialism hopeless.

Here, the comrades who do ideological and political work have raised a slogan: "The difficulties in economic work are the focuses of ideological and political work." Where there are difficulties, there are the focuses of our ideological and political work. In any unit that encounters difficulties, ideological and political work becomes the priority. Prominent instances of the corporation's ideological and political work are those of helping backward staff and workers. They have implemented a system of assigning contracted responsibility for doing the work of transforming backward people and scored marked achievements. There have been many moving incidents. According to their statistics, since 1983, as many as 350,000 instances of good deeds and good people have emerged in the corporation, in which people gave up their personal interests for public interests, risked their lives to rescue other people, helped other people gladly, and rejected gifts or bribes.

The Potential Lies in the Basic Level and Wisdom Lies in the Masses

The reason why the Shoudu Iron and Steel Corporation has been able to achieve continuous victories in carrying out the reform, raising its economic results year by year, and perfecting the regulations day by day is mainly because the leading groups have found the actual motive force that pushes the enterprise forward. With deep feeling, they said that there was inestimable potential among the staff and workers, inexhaustible wisdom and creative force among the masses, and no end to the development of productive forces. The merger of the special steel plant into the corporation in 1982 was a vivid example to prove this argument.

Before the special steel plant was merged with the corporation, its profit was always about 60 million yuan a year. In January 1983, it was merged with the corporation and then its profit rose sharply and reached 85.8 million yuan in 1983. In 1984, its profit was 99,343,000 yuan, an increase of 65.57 percent compared with that before the merger. As the corporation was assigned the task of raising its profit by 20 percent a year, the special steel plant was also required to do that. However, the plant was faced with many difficulties. The sharp reduction of the price of scrap steel alone reduced its profit by 29.28 million yuan. In addition, the prices of silicon and ordinary steel and wired steel were all readjusted. The readjustment would cause a total reduction of 40 million yuan in profit. There were also the unfavorable factors of power supply restriction and moving the plant to a new site. Under these circumstances, it would indeed be very difficult for the plant to fulfill the task of earning a profit of 105 million yuan this year.

The management had all the staff and workers discuss these difficulties and told all the cadres and masses of people to think out ways together. As a result, the staff and workers put forward 3,100 rationalization suggestions. After sorting out these suggestions, 1,200 of them were immediately adopted. The vast number of staff and workers calculated the following six aspects in tapping potential:

First, they calculated the increase in output. The steel workers calculated how much steel and how many ingots they could produce and found that they could increase the output of steel ingots by 4,000 metric tons. The workers of the rolling mills thought out ways to raise the ratio of output to raw materials and could thus increase output of rolled steel by 33 metric tons. The wire workshop found a way to conserve 180 metric tons of wired steel by shortening the cutting.

Second, they reformed the technology. Blank workshop No 650 switched from cubic blank No 110 to cubic blank No 112 through the research work of their technological workers and thus reformed its technology. The graphite workshop processed scrapped electrodes and produced small rhombus electrodes which can be sold at over 20,000 yuan a metric ton and thus turned waste into valuable items.

Third, they calculated the reduction of raw materials. From waste slag alone, they recovered over 180 metric tons of scrap steel and they expect to recover 1,800 metric tons in the whole year, which will be worth over 400,000 yuan.

Fourth, they calculated the benefit in improving product quality. The technical workers in the metallurgical research institute have overcome the many difficulties related to the technology of precision casting and developed 20 new product varieties. The technical cadres in the sheet workshop gradually raised the rate of high-grade silicon steel sheets from 70 percent last year to 88 percent. This alone can increase its profit by over 1.07 million yuan. The bearing steel was 98.32 percent up to the standard last year, but by last March it was 99.28 percent up to the standard.

They also calculated the profit from stopping up loopholes in management and from improving the management of the plant. Accordingly, they closed management loopholes and took a step forward in conducting scientific management.

Thus, they mobilized all staff and workers to make such calculations in their posts so that everybody at every level became increasingly skillful at the process. The calculations enabled them to conserve every minute of time, every kilowatt-hour of electricity, every jin of the raw materials for alloy steel, every piece of refractory brick, and even every welding rod, every bundle of cotton thread, every centimeter of steel cable, and every piece of emery wheel. The result is not only conservation of things and an increase in profits, but also and more valuable the heightening of each staff member's and worker's confidence, courage, and aspiration and the arousing of the staff and workers' sense of responsibility as masters and their concern for the development and economic results of their enterprise. They calculated things related to themselves as individuals and then the things related to the enterprise and state and have thus given rise to something people call the new spirit of the people in the whole corporation.

The Key Is To Have a Pioneering Leading Group

Like the reform in the whole enterprise, the ideological and political work in the Shoudu Iron and Steel Corporation also continues to develop and make progress. The key to the success in this work is that the corporation has a strong leading group. What is valuable in this group is that it is not content with the status quo and has a strong pioneering spirit.

This leading group is formed by experts and talented people of various fields. In the words of the masses, they are cadres with "four abilities," who are able to carry out production, manage routine professional work, make economic calculations and do ideological and political work. They have a good work style praised by the masses, go deep among the masses, set example by their own deeds, and are good at pooling the wisdom of the masses. They can also guide the masses in concentrating their energy on the reform and are able to continuously open up new prospects and blaze new trails in the course of forging ahead.

The Shoudu Iron and Steel Corporation has also changed the traditional practice in evaluating, training, and promoting cadres. Through test and evaluation in the practice of reform, the corporation has conducted an all-round consolidation and reorganization. Over the past few years, among the departmental level cadres of its factories, 297 people have been transferred upward and 409 people have been transferred downward. In 1983, while implementing the professional economic responsibility system, it examined and evaluated all its cadres. As a result, 1,408 cadres were dismissed from their posts and 1,534 workers were promoted and became cadres. In order to train reserve cadres and get candidates to replenish its work force of cadres, it adopted a method combining recommendation by the masses of people with assessment and examination by the organizations. In 1984, a total of 5,700 talented people were recommended, of whom 1,700 were appointed party and administrative cadres. The party committee of the Shoudu Iron and Steel Corporation holds that only by so doing can it avoid the stifling of talents and show that the masses are indeed the masters of the enterprise. As the masses have confidence in the cadres recommended by them and as the cadres treasure the confidence that the masses have placed in them, the relations between masses and cadres become increasingly close.

In order to enable the enterprise under its leadership to continue to develop in the process of reform and make progress in opening up new prospects, the leading group of the enterprise must maintain a firm stand, have the whole country in mind and the whole world in view, and link the development of its enterprise not only with the development of the country, but also with the level of development in the world. When the people at the Shoudu Iron and Steel Corporation talked about the level of development of their enterprise, they also often talked about the level of development of enterprises in the same trade at home and abroad and thus actually widened people's field of vision. The leading group of the Shoudu Iron and Steel Corporation does not always remain within the scope of their existing undertakings. They have made a study and analysis of the tasks and situation and agree that, at the current stage of development, the corporation should adopt the principle of

"diversifying its undertakings while focusing on one principal undertaking." The principal undertaking constitutes the foundation and backing to support the "diversification in its operation," and help it develop many new undertakings that are run alone or by joint ventures with other people at home and abroad. In addition to making preparations to establish a new iron and steel base in Qianan which will be of the same scale of the Shoudu Iron and Steel Corporation with the capacity of producing 2 million metric tons of steel a year, the corporation is developing and making preparations to develop production of the rolled iron and building materials urgently needed by the state, production of electronic products and elevators, transport undertakings, hotel accommodation and the production of food and articles of daily use that serve urban areas, and so on. These undertakings are both transregional and transprofessional. The Shoudu Iron and Steel Corporation will become an even larger complex enterprise.

20 July 1985

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CSO: 4004/9

ATTENTION MUST BE PAID TO FORMING A GOOD STYLE IN THE RUNNING OF FACTORIES

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 33-34

[Article by Zhou Guanwu [0719 0385 0063]]

[Text] As the party has switched the focus of its work, the leading comrades in our factories have great concern about how they are to satisfactorily run their factories during the reform. In the past, we have done much work to consolidate our enterprises and improve their quality, but we have failed to pay sufficient attention to one issue, namely, the issue of a modern mass production body having a correspondingly modern style. This is the key to running our enterprises satisfactorily.

The style of a department and unit has a bearing on its work efficiency and economic results. Why were some troops always able to undertake the most arduous fighting tasks in the war years and be invincible in the face of stronger enemies? Why have some schools always been able to turn out a large number of talented people? Why do consumers always have confidence in some shops? Why have some factories maintained a sustained high efficiency, high economic results, and a stable pace of development since the beginning of the reform? True, there are many reasons, but there is one point in common for these troops, schools, shops, and factories--they have a good style.

Style originates from practice. Style takes shape in the process of practice and is shown in the attitude and acts toward things and people. When people talk about man in general, they stress man's skill and thoughts, but ignore man's style. Only through man's acts can skills and thoughts be transformed into tangibles, and it is style that determines people's different acts and the different results of their acts. Under the same conditions, because of differences in the styles of different people, results vary. If a factory has favorable conditions, advanced equipment, and adequate supplies of materials and goods, but the style of the people who use these resources is not suited to the conditions, then they are not able to bring the equipment and technology into full play. On the other hand, if a factory has good style, then it will be able to give optimal play to the role of its equipment and technology. The first rolling mill in the Shoudu Iron and Steel Corporation is now yielding an output of more than triple its design capacity and has thus produced a miracle. The use coefficient of its converters is 56.21, and foreigners in the same trade call its converters "the

quickest converters in the world." A very important reason for this is that in the process of the reform, the staff and workers there have fostered a good style.

The traditional style of the working class has taken shape in the process of capitalist mass production. The labor efficiency and pace of development of socialism ought to be higher than those of capitalism. This is determined by the nature of the different social systems. Therefore, the style of our staff and workers must be better than that of industrial workers under the capitalist system. In the current era of modern mass production, there are more exacting requirements on the style of workers. The type of style that was suitable in the past, is now unsuitable or will be in the future. Our country's working class ought to have a new style that is suited to modern socialist mass production.

From our many years of practice in factories, we have learned that this new style should be to seek truth from facts, be strict and conscientious, coordinate closely with one another, perform one's duty faithfully, and strive to make progress. The spirit of seeking truth from facts, which is based on a serious scientific attitude, is the essence of the new style. All the activities of mass production are governed by the inherent laws of the new style. There are physical laws such as those governing mechanical movement, the movement of electrons and magnetic fields, and the transformation of solids, liquids, and gases. There are also chemical laws. A metallurgical process is a series of precise decomposition and synthesis processes. In addition, we are also dominated by the law of value, the law of time conservation, and the law of movement of funds. All aspects of the work in our factories are the application of those natural and social laws. Seeking truth from facts means acting in accordance with these laws. Our regulations are those that embody these laws. As these laws are impartial and strict, we must be strict in implementing our regulations and should never just pretend to observe them. Otherwise, we will face severe consequences from our actions. Pushing a wrong button and conducting operations carelessly may destroy machinery, injure people, or cause great economic losses. This is not being said to scare people. Explosions of equipment, which have destroyed entire workshops, have been seen in our country more than once.

A new work style means accuracy, a strict time schedule, and cooperation in work. In a modern factory, there are tens of thousands of staff members and workers and ten to a hundred specialities which carry out an intensive division of labor and close cooperation to use a large amount of technical equipment to deal with a large number of labor tasks in order to achieve common aims. In such an organic integrated operation, no one can act of his own subjective will to the slightest degree in doing any work in terms of extent or time and the way to cooperate with other people. As Marx said: In mechanized mass production, "workers must submit themselves to the continuous and uniform movements of machines." ("Collected Works of Marx and Engels," Vol 23, p 450) When an overhead mobile crane weighing hundreds of metric tons picks up heavy objects and moves forward, its pounding force is quite big. A steel billet of many metric tons can be shaped in a moment into a cube and then into long pieces of steel in the rollers of a rolling mill.

Human beings are too small, they cannot do the work of these machines. Anyone who does not work in a scientific way and obstructs these huge monsters will be smashed to pieces. Only when we have cultivated a good work style to strictly and skillfully control and operate them, can we create wealth for the human race.

Comrade Deng Xiaoping said: "In order to realize our four modernizations in a short time, it is imperative for us to vigorously advocate a down-to-earth and revolutionary work style that can gradually turn lofty idea into reality." ("Selected Works of Deng Xiaoping," p 107) A work style can take shape naturally through long-term tempering and disciplining oneself in mass production, but this takes many years. If we consciously carry out a strict training in various ways regarding work style, we can foster in a short time a good work style that is suited to mass production. In the cultivation of work style, it is necessary to conduct ideological education. In order to enable our vast number of staff members and workers to understand the great significance of style on modernized mass production, we should not rely on ideological education alone or repeat the former malpractice of relying only on appeals and preaching.

Being strict and impartial in meting out rewards and punishment is the most important aspect of tempering and cultivating a good style. It ensures the tempering of a good style. A comparatively advanced assignment target and the strict imposition of job duties, rules, and regulations are the guiding principles for being strict and impartial in meting out rewards and punishment. Only by adhering to the practice of being strict and impartial in meting out rewards and punishment can our good work style become a tradition. As an ancient saying goes: "Merit should be rewarded, while mistakes should be corrected." Giving awards is the principal part of rewards and punishment. Meting out rewards does not merely mean bonus payments; it must be linked with performance assessment, wage increases, promotions, the entrustment of greater power, and the assignment of important tasks. Meting out rewards also includes the spiritual encouragement of conferring the titles of advanced worker, model worker, and hero. Meting out punishment is the second means, but it is indispensable. In meting out punishment, we should spare no one's sensibilities. We must punish those who must be punished. Those who should be punished severely, should not be punished leniently. The reforms have provided fine conditions for the tempering of a good work style, brought the initiative of the broad ranks of staff members and workers into play, and has enabled them to consciously subject themselves to the tempering of a good work style. If we do not conduct reforms and continue the practice of eating out of the same big pot, how can we be strict and impartial in meting out rewards and punishment? Can there be a good work style when people get the same pay whether they work or not?

Industrial enterprises are the gathering places of the working class--the leading class of our country which is regarded as the representatives of the contemporary productive force. The habits and general mood of our society are closely related to the ideology and work style of the working class. The fine work style of the ranks of staff and workers that has taken shape

through the tempering in the factories may bring along the cultivation of a good work style in the whole society and will give an immeasurably great impetus to our country's construction of spiritual civilization and realization of the four modernizations.

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CSO: 4004/9

ON THE FURTHER PROSPERITY OF SOCIALIST LITERATURE AND ART

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 35-37

[Article by He Jingzhi [6320 2417 0037]; written on 1 August 1985]

[Text] This is the first time that I have collected and compiled my personal remarks on literature and art. This collection includes some of my articles, letters, prefaces, talks, and speeches since liberation, and in particular, since the downfall of the "gang of four." I have collected nearly all my remarks, which reflect the development of my thought during the period before the "Great Cultural Revolution" and after it, excluding the 10 years of the "Great Cultural Revolution," during which I stopped writing.

This collection is a record of my footprints on a long-traversed road. I can also say that it is a reflection of the era from one angle of myself.

I do not engage in theoretical studies of literature and art, and I am not a literature and art theorist. However, my feeling with regard to my own works and my experience in editorial work and in organizing drama for several years after liberation have made me consider some of the problems in literature and art work and in the trend of thought in literature and art. Therefore, I cannot help but comment on these problems. What is included in the first half of this collection was written based on this. Of course, the theoretical standard of my articles is not high. I can even say that they are not theoretical articles. However, as historical materials, they more or less, reflect the ideological situation at the time. Such being the case, can we say that the articles are not worth reading?

After the "gang of four" was smashed, I transferred to the Ministry of Culture. In 1980, I was transferred to the Propaganda Department. My post required me to understand the overall situation in literature and art work. As a propagandist of the Propaganda Department, my duty is to study, understand, and propagate the principles and policies of the party and the state on literature and art. I also have the duty to air my views on the achievements and problems in literature and art work. Thus I have written many more articles and made more remarks on this subject than at any time in the past. In compiling this collection, I considered the importance of articles

*This article is the preface to "Art and Literary Collection of He Jingzhi" and will be published soon by the RED FLAG Publishing House.

written in that period. The larger part of the collection is composed of articles on literature and art.

Of course, the theoretical standard of these articles is not high. Apart from being historical reference, none can be taken as a theoretical article. There are naturally mistakes and inconsiderable arguments in these articles, and I hope that experts and readers will help me straighten them out. However, I must hold firm to the following basic views and will not try to hide this fact.

1. Marxism-Leninism-Mao Zedong Thought should be taken as a guiding principle in Chinese literature and art in the new period of socialism. Of course, Marxism-Leninism-Mao Zedong Thought will develop. It will not stop or become rigid. It is incorrect to adopt a dogmatist and nihilist attitude toward it. Adhering to and developing the Marxist world outlook and the Marxist concept on literature and art, and taking it as a guiding principle is a prerequisite for maintaining the socialist nature of literature and art, a scientific basis for formulating a correct policy on literature and art, and a fundamental guarantee for the healthy growth of literature and art workers and for the healthy development of literature and art creation and theoretical study.

2. Socialist literature and art is really of a democratic and free nature. It is also literature and art under correct guidance. While ensuring full democracy for literature and art and freedom of creation, it is necessary to adhere to party leadership. Needless to say, party leadership must be improved and the system of literature and art must be reformed. Adhering to and improving party and state leadership over literature and art work is an important characteristic of socialist literature and art. This will help literature and art workers bring into normal play their initiative and creativeness. It is an important condition for practicing democracy in art and freedom of creation.

3. Socialist modernization requires both material and spiritual civilizations and should be carried out under the four basic principles. This is a major principle and strategic policy set forth by the party by combining Marxist principles with China's specific conditions. Literature and art should be a component of socialist spiritual civilization. This is our point of departure in observing and handling the problem of literature and art in the new period. The general target of literature and art workers is to enable literature and art to serve the people and socialism and to create socialist literature and art with Chinese characteristics. On the basis of bringing order out of chaos and in line with the new situation, the party is restoring, readjusting, and perfecting a series of principles and policies on literature and art. For example, it has placed in an important position the implementation of the policy of letting a hundred flowers blossom and a hundred schools of thought contend. However, the implementation of this "double hundred" policy or other policies should not be divorced from the above general target.

4. Our socialist literature and art should be open to the outside world. We should absorb all literature and art which is beneficial to our country, including modern literature and art of the capitalist world. However, we should not swallow it whole without digesting it, just as we should not drink poison to quench our thirst. We should differentiate between good and bad. While opening to the world, we should resist the decadent capitalist ideology. This is like rejecting feudal dross while assimilating the essence of ancient Chinese literature and art. The purpose of opening to the outside world is to create and develop literature and art with our own characteristics and with socialist ideology.

5. Since the 3d Plenary Session of the 11th CPC Central Committee, the party has exercised correct leadership over literature and art work. Unprecedented development and achievements have been witnessed in literature and art work. However, there are still problems and mistakes on the literature and art front. For example, there are problems concerning ideological tendencies, mainly two tendencies: the "leftist" tendency and the tendency of striving toward and pandering to the decadent ideology of the exploiting classes and bourgeois liberalization. These two tendencies will continue to exist for a long time. It is incorrect to overlook these two tendencies. It is necessary to guide and correct them in a practical and persuasive manner so that we can unite with those who have such tendencies to make further progress. We should neither adopt a crude method to solve this problem nor let these tendencies spread unchecked. We should correctly handle ideological struggle on the two fronts and rectify whatever mistakes we see. This has been and will continue to be a necessary guarantee for the healthy development of socialist literature and art.

The above viewpoints are not my personal viewpoints but are the formal decisions of the party and have been written in documents. They have been written by summing up historical experience and experience gained since the 3d Plenary Session of the 11th CPC Central Committee as well as by soliciting correct opinions from literature and art workers. Although some people do not agree or do not completely agree with these viewpoints, practice over the past years has proved that they are correct. Of course, it takes a long time to prove whether a principle or policy drawn up for a department is correct. The principles and policies on literature and art in the new period should undergo further tests. It can be said with certainty that these principles and policies will be readjusted, enriched, and developed with the emergence of new ideas and new experiences. In the meantime, we are sure that the above basic viewpoints will not be negated, as they comply with the objective laws governing literature and art and reflect the emergence and development of socialist literature and art.

Studying Marxism and paying attention to, studying, and implementing the principles and policies of the party and the state on literature and art is not only the duty of propaganda and cultural departments, but also the duty of literature and art workers, and especially of party-member literature and art workers. Correct principles and policies are not trammels that produce negative effects on the creative talent of literature and art workers and the freedom of creation they enjoy. On the contrary, they are

a powerful motivational force that spurs literature and art workers on the road of advance. Faced with the new situation and new tasks, as a veteran soldier on the front of literature and art, I must continue to study and, together with other literature and art workers, exert what little power I have to implement the principles and policies of the party and the state on literature and art and to bring about further prosperity in socialist literature and art.

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CSO: 4004/19

FURTHER IDEAS ON BOOSTING DRAMA

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 37-38

[Article by Lu Xifan [0712 6007 0416]]

[Text] Drama is an art form with very strong appeal. Has not Comrade Deng Xiaoping required that socialist literature and art portray "lively and vivid artistic images"? The words "lively and vivid" are an apt description of the existing superiorities of drama. Drama is an art form where vivid, live performers create artistic images in front of the audience. In the course of creation, the creators and those enjoying the performance have a direct interflow in terms of emotions and influence each other, thus achieving a complete harmony. An artistic realm of this type cannot be achieved by any other art form. Thus, we strongly believe that dramatic art will not fade away and that theaters will not fall into disuse.

However, we must also recognize that following the development of science and technology, and following the continued improvement of the material life of the masses and the continued raising of their cultural level, as television and sound and video tapes become daily more widespread, people's demands on culture and art are becoming increasingly high and increasingly diverse. This is placing higher demands on drama. Now there are a large number of literature and art books and periodicals, and one can sit at home and, by listening to the radio or watching television, can enjoy all sorts of culture and art. If a drama is not worth watching and does not bring into play the strong points of dramatic art or manifest high dramatic quality, who is going to go to the theater to watch it?

At present, there is too little good drama worth watching, and outdated, mediocre, sham, showy, rough, and slipshod works destroy audiences' appetites. It is no wonder then that drama is being cold-shouldered by the audiences.

Many subjective and objective factors account for the current slump. A key factor in this is that drama troupes are not highly trained and their level is not high. For historical reasons, drama troupes' (and especially drama troupes') political theory attainments as well as their cultural, scientific, and specialized knowledge levels are a little lower than literature and other such groups. In general, the professional skills of drama troupes are

not low. This is especially so of some opera performers who have put all their energies into training since they were young. However, because they have been subject to restrictions in terms of attainments and levels as mentioned above, these efforts have not always been well used or brought into play. Thus, apart from continuing to stress improvements in training professional skills so that their level is continually raised, we must strengthen the study of Marxist-Leninist theory, strengthen the study of cultural and scientific knowledge, and strengthen the study of literature, art, and drama knowledge and theory. We must also positively get in touch with reality, go deep into life, and study society. The ways and avenues of study are manifold. However, I think that the most important study is that carried out in artistic practice. Every time one engages in artistic practice, it is both a creative activity and also the best means of instruction. In writing a play or rehearsing a play, one must be familiar with and understand both the qualities of the character to be portrayed and the historical period and social environment in which the character exists. In order to achieve this, we must, on the basis of one's knowledge, theory, and life, vigorously strive to master first-hand data where possible and to read relevant books and materials. Also, on the basis of one's artistic experiences, one must strive to study intensively the artistic successes and experiences of others, as references. By putting effort into this, everybody who participates in artistic practice can grow in knowledge, and their understanding and theoretical level can be raised. Also, both their artistic attainments and artistic abilities will grow. I am astounded at those writers who turn out one recklessly concocted play after another. Even more astonishing is that these plays, at which people do not know whether to laugh or cry, can be performed with any force. Actually, these comrades do not concern themselves with the nature of the characters, the period background, or the logic of the characters' lives. All they concern themselves with and pursue is so-called "drama" (some plays are so full of "drama" that they cannot stand up to any scrutiny). All that the performers concern themselves with is whether they have a good song to sing and a place to show off their skills. As long as they have a few chances to gain acclaim and applause, they are happy. The sad thing is that many people have already gotten used to this as artistic practice. It is time to change this practice, which wastes time and wastes talent.

The avenues for renewing and reviving drama are broad. We should open our minds, go all out, not fear losses, and be flexible. We should bravely carry out all sorts of daring experiments and exploration in all areas. If there is to be some principle or rule that must be abided by, it is: We must become familiar with and understand the actuality and the history of the social lives of the people. If we abandon this, then we cannot even talk about renewal and blazing new trails.

When we speak of life, first, of course, we must speak of the actual life in which we have been so fortunate, that is, the great new period that is developing so quickly. In this new period, new situations, new problems, new ideals, and new people are appearing day after day in an endless stream. If we do not get to know them and understand them, and our ideology and emotions are not closely tied to the pulse of the times, then we cannot

begin to talk about depicting them. When we know them, understand them, and are tied to the pulse of the times, then we will discover that the 18 forms of drama usually performed on the stage are not enough, and that we have to renew drama and blaze new trails. This is especially so of ancient operatic art, as it is very difficult to reflect actual life through these forms. The tasks in respect of renewing and blazing new trails in these forms will be more arduous. Even if they reflect historical questions, regardless of whether they are newly written historical drama or traditional operas that have been reworked, they must all stand on the historical plane of today. On the basis of using and understanding historical materials, they must as far as possible deeply and intrinsically reflect the realities of history. Also, on the artistic level, they must do their best to accord with the aesthetic demands of contemporary audiences.

The question of drama having Chinese or national characteristics is also extremely important. This demands that our drama truthfully reflect the situation and characteristics of the lives of all China's nationalities. This cannot be imported. Although we can import art and can study the outstanding artistic achievements and experiences of ancient and modern China and countries abroad, the key should lie in researching and studying our own achievements and experiences. In the past, we paid much attention to studying Stanislavski and, in recent years, we have stressed the study of Brecht. This is absolutely necessary, but I feel that the research into our unparalleled dramatic art is very sorely lacking. Systematic and thoroughgoing research into our nation's artistic set-up, artistic patterns, and methods, and particularly into artistic skills and techniques, is an extremely important link in building socialist dramatic art with Chinese characteristics.

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CSO: 4004/11

WHY IS IT SAID THAT THE TASK OF BRINGING ABOUT A FUNDAMENTAL TURN FOR THE BETTER IN THE STATE'S FINANCIAL AND ECONOMIC CONDITIONS HAS BEEN BASICALLY FULFILLED?

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 39-40

[Article by Wang Chunzheng [3769 2504 2973]]

[Text] The "Proposal of the CPC Central Committee on Formulation of the Seventh 5-Year Plan for National Economic and Social Development" mentioned that the task of bringing about a fundamental turn for the better in the state's financial and economic conditions had been basically fulfilled. This conclusion clearly pointed out that in recent years the development of our country's national economy had achieved enormous accomplishments and that deep and penetrating changes had been made.

First, the national economy has begun to evolve a new situation of sustained development, stability, and coordination. In assessing the economic situation, we should principally find out whether or not the important proportionate relationships are coordinated or harmonized, and if the economy can develop in a sustained and stable manner and at an appropriate growth rate. At the 1980 year-end, when the CPC Central Committee and the State Council brought up the guideline of further readjusting the national economy, the important proportionate relations of the economy had been in a seriously imbalanced state. Following several years of economic readjustment and reform, the proportionate relations between our country's agriculture, light industry, and heavy industry have gradually become coordinated. Production in agriculture, light industry, and heavy industry has achieved a balanced development. Since 1981, agriculture in our country has developed at an average annual growth rate of 10 percent, while the average annual growth rate of production in light industry has also been above 10 percent, thus basically changing the situation in which agriculture and light industry having had for a prolonged period of time fallen behind heavy industry in development. In general, the proportionate relations between agriculture, light industry, and heavy industry are suited to our country's current needs in improving the people's standard of living and increasing the scale of accumulating. Within industrial production, as the result of adopting a correct policy of developing energy resources, energy production has been converted from the former state of stagnant development to the present state of sustained growth. In 1984, the output value of the energy industry had

increased by 20.6 percent over 1981, averaging an annual increase of 6.5 percent. Coordination in the major proportionate relations of the national economy, particularly the all-round increase in agricultural production and the continuous growth in energy production, have provided exceedingly important conditions for the sustained and stable development of the whole national economy. It is estimated that from now on and for a certain period, the economic growth of our country will continue to maintain a trend of vigorous development. This situation illustrates that the vitality of our country's economy is becoming increasingly vigorous and possesses the necessary conditions for sustained, stable, and coordinated development. This is a most important sign of our country's good economic situation.

Second, the people's standard of living has been significantly improving, the various construction enterprises have all achieved a new development and the proportionate relation between accumulation and consumption has also become coordinated. In 1980, in our cities and towns a large number of people were awaiting employment and, in regard to the people's lives, there were many accumulated problems that had to be solved. In recent years, on the basis of the development of production, the incomes of people in both urban and rural areas have increased on a large scale, while the level of consumption has been rising yearly. People who had been awaiting employment for many years have all basically obtained employment. In 1984, the annual average consumption level of people in the whole country rose to 327 yuan from 227 yuan in 1980, averaging an annual increase during the 4-year period of 7.8 percent, after taking inflation into account; the annual average salaries and wages of staff members and workers in the whole country also increased from 762 yuan to 974 yuan, averaging, after allowing for inflation, an annual increase of 4 percent; and among the peasants the average per capita net income rose from 191 yuan to 355 yuan, averaging, after allowing for inflation, an annual increase of over 10 percent, all of the above being unprecedented since the founding of the PRC. A relatively large increase also occurred in the average per capita consumption of major consumer goods. For example, the consumption of grain (converted to trade grain) rose from 428 jin in 1980 to 503 jin in 1984, that of edible vegetable oils from 4.6 jin to 9.4 jin, pork from 22 jin to 26 jin, and various kinds of cloth from 30 feet to 32.5 feet. The volume of various kinds of durable consumer goods held or owned by society has also increased rather rapidly, some by 100 percent and some by 10 times, or 1,000 percent. The housing conditions of the urban and rural populace have also improved considerably. According to the findings of a sample survey on family living conditions conducted by the State Statistical Bureau, in the cities the average per capita occupancy area increased from 5 square meters in 1980 to 6.3 square meters in 1984, while in the countryside the increase was from 9.4 square meters to 13.6 square meters. Following the rise in the people's income levels, our economic work has shifted from principally solving the people's clothing and food problems to rationally readjusting the production structure of consumer goods so that it is in accord with the continuous rise in standards of consumption. This is a clear sign of our country's economic development having entered a new and important stage.

Finally, the country's financial condition has rapidly taken a turn for the better. During the 2 years 1979 and 1980, the state's fiscal revenues dropped successively, producing large budget deficits of 17.07 billion yuan and 12.75 billion yuan respectively. After readjustment and reform and following the large-scale increase in industrial and agricultural production and improvement in the economic results, and with the state adopting a series of measures to increase revenues, the situation of a continuous fall in fiscal revenues has been rectified. In recent years, under the conditions of the continuous growth in fiscal revenues and the yearly increases in expenditure on economic construction and development of various enterprises, the state's finances have successively maintained a basic balance in revenue and expenditure. Although, in the last 2 years, there were certain deficits, the amounts were still relatively small, and this year there is the possibility of getting out of the red completely. After all, our country is financially weak. In the last 2 years, on the one hand, we have had to undertake economic readjustment and, on the other, we have had to continue necessary construction work. The existence of small deficits did not greatly affect the economic life of society. Hence, we should not take the continued existence of small deficits as the principal criterion assessing whether or not the financial situation has basically taken a turn for the better. This year, the state anticipates a gross collection of revenues amounting to 170 billion yuan. Adding to this the funds outside the budget and owned by the regions, departments, and enterprises, gross revenues will reach over 300 billion yuan, an increase of nearly 100 percent over 1980. This illustrates that the economic strength of our country has really been augmented.

In short, whether we look at the issue from the reciprocal coordination of the important proportionate relations of the national economy, the vigorous development of the production and construction enterprises, and the large-scale improvement in the people's standard of living, or from the noticeable improvement in the condition of fiscal revenue and expenditure, they all essentially illustrate that the task of bringing about a fundamental turn for the better in the state's financial and economic conditions has been basically fulfilled, and that the whole national economy presents the prospect of a benign cycle.

Naturally, that the task of bringing about a fundamental turn for the better in the state's financial and economic conditions has been basically fulfilled does not mean that no more problems or difficulties exist. At present, in the development of the national economy there are still certain problems which need to be further studied and resolved: First, our country's industrial structure is still not entirely rational; the development of our energy and raw materials industries, our communications and transport facilities, and the service trades of society is not yet exactly suited to meeting the needs of the whole national economy or the improvement of the people's standard of living. Second, compared with the situation of rapid growth in the national economy, improvement of economic results is still not up to standard, since many enterprises are still wrestling with the problems of a high consumption rate in raw materials and the low quality of their products. Third, the scale of fixed assets investment is too large, the growth of credit

and loan funds and consumption funds is too rapid, the supply of certain means of consumption and construction materials is lagging behind demand, and price fluctuations are too violent. Regarding these problems, the CPC Central Committee and the State Council have taken, and are still taking, a series of effective measures to have them resolved. If only we can firmly and thoroughly implement the party's guidelines and policies, and do our jobs in a down-to-earth manner, all these existing problems can be gradually solved and the immensely good economic situation that has emerged in our country will surely be consolidated and further developed.

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CSO: 4004/11

WHY IS THE TARGET OF THE ECONOMIC GROWTH RATE IN THE SEVENTH 5-YEAR PLAN SET LOWER THAN THAT IN THE SIXTH 5-YEAR PLAN?

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 40-42

[Article by Wei Liqun [7614 4490 5028]]

[Text] The "Recommendation of the CPC Central Committee on Formulation of the Seventh 5-Year Plan for the National Economy and Social Development" specified that the average yearly growth rate of the gross value of national output in the Seventh 5-Year Plan period be set at above 7 percent. The average annual growth rate of the gross output value of industry and agriculture was set at about 7 percent, with that of agricultural output at 6 percent and that of industrial output at 7 percent. This economic growth rate is lower than the level actually realized in the Sixth 5-Year Plan period. Why is such a demand made and what is its significance?

Rationally determining the economic growth rate is the key to correctly formulating the plan for the national economy and for social development. Speaking from the strategic standpoint, only through attaining a relatively high growth rate for the national economy is it possible to realize, at an early date, the objectives of making the country rich and strong, and the people prosperous and affluent, and of catching up with, or even surpassing, the economically developed countries. Recently, a certain degree of economic growth has been necessary not only for expanded reproduction but also for continuously improving the people's standard of living and making the requisite preparations for vigorously developing the economy during the 1990's. However, this does not mean that the higher and faster the economic growth rate the better. The national economy is a composite body in which various departments and various factors interact with each other in a complex and complicated manner, and economic growth has its own objective standards: First, each department and each link must develop proportionately and only through a proportionate development can there be a high growth rate. Second, there must be good economic results, yielding a higher and better output from relatively lesser input, and only when there are good economic results can there be a really high growth rate. Third, social production techniques must be constantly improved and this is an important road to, and a landmark of, the raising of the modernization level of the national economy. Fourth, the people's consumption level must be raised and the people must derive actual benefits from the economic development. Finally,

and this is also very important, the growth rate must be beneficial to economic work in its entirety and must be able to manifest the integration of current interests with long-term interests. All the above constitute not only the inherent demand of socialist economy but also a guarantee for the long-term coordination, stability and sustained development of the national economy. If the objective demands are disregarded and a high growth rate is one-sidedly sought after, then the growth rate for a short period may be rather high but such a growth rate is not beneficial to the long-term development of the economy as a whole.

The economic growth rate recommended for the Seventh 5-Year Plan period by the CPC Central Committee was based on a scientific analysis of historical experiences and on the present condition and trend of development of the economic life of our country and constitutes an important policy focused on economic work in its entirety.

During the Sixth 5-Year Plan period, our country's economic growth rate has been continuously speeded up. It is anticipated that in the 5 years the average annual growth rate of the national industrial and agricultural gross output value can exceed 10 percent, already higher than the average annual growth rate of 7.2 percent required for quadrupling the gross output value by the end of this century. Viewed as a whole, this growth rate is normal and is the result of the economic readjustment, reform of the economic structure, and opening to the outside world. However, since the fourth quarter of 1984, the growth rate of industrial production has been too rapid. From October to December last year, compared with the corresponding period of the preceding year, it increased by 17.9 percent while from January to July this year, compared with the corresponding period of last year, it increased by 22.8 percent. To a definite degree, such a high growth rate was the result of the stimulus from the inflation of investment demand and consumption demand while a portion of the increase resulted from squandering a large amount of foreign exchange on importing raw materials and commodities in odd lots. Thus, this high growth rate embodies certain abnormal factors.

Viewed from the economic situation as a whole, it is entirely necessary and correct to lower somewhat a growth rate which now tends to be on the high side. This is based on the following reasoning:

First, it helps in overcoming certain unstable factors in the country's current economic life. Generally speaking, our current economic situation is rather good. However, in its advancement, there are certain new and unstable factors. The major ones are: The scale of the investment in fixed assets is too large; the growth in consumption funds is too vigorous; the increase in credit and loan funds is too rapid; the rise in the prices of certain commodities is too high; and the country's foreign exchange reserves have fallen too much. There are various causes for these problems but of them the most direct and fundamental is the too rapid increase in the economic growth rate. In the national economic cycle, an inherent relationship exists between an increase in production and an increase in investment. If the demand on the production growth rate is too sudden and

too high, it will necessarily bring about too fast and too large an increase in investment and if the demand for production and the demand for investment are too large, it will naturally lead to credit inflation and a rise in commodity prices. Hence, taking the initiative in lowering the growth rate a little will help in keeping the blind expansion in the scale of investment under control, easing the stringent state in the supply of energy and raw materials and in communications and transport, and maintaining a balanced state in credit and loan funds and basic stability in commodity prices. This will enable the national economy to progress in a stable, healthy, and sustained manner.

Second, it is beneficial to the all-round and intensive development of the reform of the economic structure. Reform of the economic structure requires the presence of a relatively stable and relaxed economic environment. Principally speaking, reform requires enlivening the enterprises and invigorating the whole national economy. If the economic relations are too tense and too tight, the supply and demand contradictions are too sharp and violent, and the rise in commodity prices goes out of control, then there will be no way of carrying out many reforms. Moreover, reform of the economic structure requires the guarantee and support of definite financial power and adequate material resources. Setting a high growth target will affect the basic balancing of gross social demand and gross social supply. Our purpose in moderating the growth rate which is currently on the high side is to ensure that we can seize the opportunity to efficiently press on with the structural reform and to prepare the conditions for long-term and stable economic development.

Third, it helps in further, and rationally, readjusting the industrial structure and the structure of the products. Following the readjustment made in recent years, the proportionate relationships between agriculture and industry and between light industry and heavy industry in our country have become generally coordinated. But concretely speaking, the present industrial structure and structure of the products are still far from meeting the demands of the modernization of the national economy and the demands of raising the consumption level of the people and bringing about changes in the consumption structure. For example, agriculture, the basic department of the economy, is still rather deficient in strength, the production areas of the consumer goods industries are comparatively narrow and limited, the basic industries and basic facilities such as energy, communications and transport, information and raw materials are extremely fragile, while the tertiary industry which serves production and livelihood is seriously behind the times. In pursuance of the objective demands for developing the national economy, to rationally readjust the existing industrial structure and structure of products is an important task related to the continued and healthy development of the economy. And to fulfill this task, it is necessary to readjust, either by raising or lowering, the growth rate of certain industrial departments and also to suitably readjust the scale and structure of investment. If the demand on the growth rate is too high but stringency is found on all sides, then the readjustment of the industrial structures and the structure of the products will be greatly impeded.

Fourth, it helps in drawing the attention of various sides to improving the quality of the products and seeking economic results. Experiences from history and reality have amply demonstrated that too high a demand on the growth rate will lead to one-sidedly seeking increases in the quantity and value of output and to disregarding improvement of quality and economic results. Recently, the long-standing situation in our country of poor product quality, the high consumption rate of raw materials, and the high cost of production has not only remained basically unchanged but has also worsened in certain respects. This shows that in many regions, departments, and enterprises, the phenomenon of seeking a high growth rate and large output volume still exists and that efforts have not been made to shift economic work to the track of taking the improvement of economic results as the central task. It should be seen that vigorously improving quality and economic results has a pivotal significance both in solving the contradictions that may be encountered in the economic development during the Seventh 5-Year Plan period and in fully realizing the strategic targets by the end of this century. The current state of the poor quality of products and poor economic results is directly related to the backwardness in economic control and enterprise management and slow progress in technology. Slightly lowering the overly high growth rate helps in leading the various parties concerned to devote their efforts to improving the management level and promoting technological progress, to seeking increased production along with improvement in quality and to attaining speed along with improving the economic results, thus enabling our country's economy to truly take the road of a relatively realistic growth rate, relatively good economic results, and more and better benefits to the people.

The Seventh 5-Year Plan period is a key period witnessing the transformation of our country's economic structure from the old and ossified pattern to a new pattern that is full of life and vitality. In socioeconomic life in the course of reform and transformation, certain new conditions that cannot be anticipated may emerge. In order to handle in a better way the new problems that may suddenly arise, the target plans must provide for some leeway. Historical experience has shown that providing some leeway in the plans but achieving surplus results makes the people happy, adds initiative to work, and is harmless and beneficial.

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CSO: 4004/19

WHAT ARE THE DIFFERENCES BETWEEN THE INDICATOR OF THE GROSS NATIONAL PRODUCT AND THE INDICATOR OF THE TOTAL OUTPUT VALUE OF INDUSTRY AND AGRICULTURE?

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 42-43

[Article by Zheng Hongqing [6774 3163 1987]]

[Text] The recommendation of the CPC Central Committee on the compilation of the Seventh 5-Year Plan formally used the two indicators of the value of the gross national product and the gross value of industrial and agricultural output in planning the scale and growth rate of economic development in the Seventh 5-Year Plan period. This has an important significance in improving and perfecting the composite target structure of planning and strengthening the planned control of the national economy.

At present, due to differences in the theoretical basis, there exist two types of accounting structures for the national economy. One of them is a type of structure principally used in tabulating the balances of the national economy of socialist states and the other is a type of structure used in the national economy accounts of other nations. The former divides total social labor into the two sectors of material production and non-material production, principally measuring the results of material products created or produced in the material production sector. Because industry and agriculture are the two principal material production departments of society, the gross output value of industry and agriculture quite naturally becomes the most important economic composite target. On the other hand, the accounts structure of the national economy starts from the concept that all important production factors create revenues and uniformly classes the revenues, expressed in monetary terms, from products and services of all of the departments of the state in a given period as the gross national product. The GNP is taken as the composite indicator reflecting the level of economic development and an international comparison of the per capita GNP is used as a yardstick to measure the relative position of the economies of the different countries.

The gross industrial and agricultural output value is the sum total of the value of all the products produced by the two large departments of industry and agriculture. According to the long-standing statistical usage in our country, the gross output value of industry embraces the following: output value of the mining industry, output value of the manufacturing industries,

and output value of the electric power plants, gas works, and water works; the gross output value of agriculture embraces the following: output value of the plantation trade of agricultural products, output value of forestry industry, output value of animal husbandry, output value of fisheries and value of agriculture sideline production. The gross value of industry and agriculture manifests the total results and gross scale of industrial and agricultural production for a given period. However, it does not include the results of the material production departments of the building industry, transportation, trade, and commerce and the results of the nonmaterial production departments serving production and the people's livelihood such as postal and telegraphic communications, currency, insurance, tourism, information, science and technology, culture and education, public hygiene and social welfare. In comparison, the scope of calculation of the GNP indicator is far wider. It reflects the development conditions not only of the material production departments of industry and agriculture and so forth but also of tertiary industry which provides various kinds of services to society and is therefore able to manifest more fully and correctly the scale and level of the national economy and social development.

Aside from the differences in the scope of computation, there are also differences in the method of computation. The gross output value of industry and agriculture includes the consumption of materials and compensation to labor services in the course of production and the whole of the net receipts. Moreover, the computation is made in accordance with the "factory law," that is to say, prior to the product becoming the end or finished product, the output value is calculated each time it passes through an enterprise with independent accounting. This not only includes the transfer value of intermediate or semifinished products but also constitutes redundant calculation and cannot correctly reflect the real level of economic development. On the other hand, the GNP includes only the transfer value (depreciation) of the production tools and does not include the transfer value of raw materials and intermediate or semifinished products. Deduction of the depreciation will yield the sum total of the newly created value of the material production departments and nonmaterial production departments in a given period. This is relatively closer to the indicator of the national income.

For a prolonged period, our country all along has taken the industrial and agricultural gross output value as the most important composite indicator or target in planning and statistics. This has served certain positive uses, yet because of its inherent defect, it has unavoidably generated various drawbacks: First, the narrowness of the scope of computation renders it unable to reflect the whole economic picture and can also easily lead to overlooking the important nature of the tertiary industry in the national economy, thus passively affecting the formation of a rational industrial structure. Second, the industrial and agricultural gross output value includes the transfer value of the means of production. The result of this method of computation is that the greater the consumption of materials the larger is the gross output value. This is disadvantageous to practicing savings in consumption of raw materials and improving the economic benefits. Third, regardless of the marketability of the products, so long as they are produced, their output value is included in the computation. This naturally

encourages people to vigorously increase the quantity of output and to disregard the marketing of the products. It impedes improving the quality of the products, or increasing the variety of products, or developing new technology and new products. Fourth, blindly striving for output value frequently causes dislocation of production and demand. Under the old system of state monopoly for purchase and marketing, large quantities of unmarketable commodities are stockpiled in the commercial departments, bringing about a state of "industry reporting gains, commerce reporting losses, and finance making false claims." This is highly disadvantageous to realizing a real macro-balance. The above illustrates that simply taking the industrial and agricultural gross output value as the principal composite indicator cannot meet the demands of the development of socialist planned commodity economy. In particular, since at present we are confronted with the enormous tasks of improving socioeconomic benefits, developing tertiary industry, and realizing the rationalization of the industrial structure, it is all the more necessary to rectify the system of taking the industrial and agricultural gross output value as the center of the economic composite indicator. Hence, simultaneously with continuing to perform a good job in compiling the statistics of the gross output value of industry and agriculture, it is necessary and advantageous to draw on the superior features of the structure of GNP accounts and add on this important GNP indicator.

In our use of the GNP indicator, the scope of computation is not exactly similar to that in the Western states. In the West, not only the yield of the production and service departments but also the income and receipts of government officials, police, the judiciary and pastors are all taken as constituent parts of the GNP. In our country, when computing and checking the GNP, it is generally not suitable to include the income or receipts of people in government or party organs, social bodies, and the military and police services. Naturally, under certain conditions, this portion may also be included, to facilitate making an analytical comparison with other countries of the world.

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CSO: 4004/9

A POINT OF ENLIGHTENMENT IN OUR IDEOLOGICAL AND POLITICAL WORK

Beijing RED FLAG in Chinese No 20, 16 Oct 85 p 44

[Article by Hou Gu [0186 0942]]

[Text] I have been reading some XINHUA materials which note that a worker in a large factory in Beijing has said that in the past his ideas were extreme and even reached the degree where he "believed that there was no fair-mindedness in the world except machinery and equipment." He saw only machinery and equipment as his intimate friends and had a suspicious attitude toward everything else. He was unwilling even to talk. However, he said that: "On seeing the achievements of Ma Shengli [7456 0524 0448], I changed my ideas and now also speak a lot. Some people say that it was propaganda and asked how it could be true. I refuted this, because I believe that Ma Shengli was a representative person in invigorating China."

This affair has caused people to think. In the last few years, I have at different times listened to comrades from a few grassroots-level propaganda departments complain that their "work is difficult." Study materials they distribute are put to the side, few people listen at their report meetings and only a small number of people read their wall newspapers. In brief they are expending efforts with no results. When you ask them where the problem lies, they reply that many people have been affected by various types of political "indifference," and have no interest in the work we carry out. Does the situation which these comrades have detailed exist? Clearly it does. But who is to be blamed? The masses are the target of our work. If among these people there are those who do not greatly understand our work, we cannot but think about how we are doing our work.

A well-known saying of Comrade Mao Zedong was that "The masses have a vast reservoir of enthusiasm for socialism." We must have firm trust in this conviction. The Beijing worker probably would have had difficulty avoiding being considered a model "backward element." But deep in his heart, he had a strong desire to invigorate China. This desire was like tinder and, being lit by the achievements of Ma Shengli, burst into flames. He not only changed his former ideas, but voluntarily went and did other people's work. If a "backward element" reacted in this way, how much more have other people been affected. The vast number of Chinese people have Chinese hearts. They all concern themselves with the unification, prosperity, and strength of the

motherland. In our ideological and political work, the full conditions for obtaining a warm response from the masses are already with us. Thus, the work should not encounter problems. The key lies in how we are to do this work.

The appeal of Ma Shengli's achievements provides us with several avenues of enlightenment in our ideological and political work: First, we must firmly grasp general concern for the people. Some people say that this is old terminology. However, the fact that this is old terminology does not mean that it has been achieved. At present, as our country goes through reforms to promote the development of socialist modernization, new things, new situations, and new problems are continually arising. The ideologies of the vast masses are unprecedentedly lively, and this is producing many questions which demand answers. If we are to perfunctorily teach through empty phrases, and are simplistic, biased, and arbitrary, the people of course will show us no respect. If we proceed from reality, are brave in meeting those important problems which may be difficult to solve, but which are of great concern to the masses, put much effort into investigation and research, and speak in a detailed and reasoned way, the masses will indeed be reasonable and understanding. Undoubtedly, this will be quite troublesome, but the results will be far different from those of ordinary propaganda. Second, we must promote the use of appropriate people in explaining things by using their own experiences. In the reforms, Ma Shengli was brave and knowledgeable, moral and skilled, and all of his achievements were respected. Finding such people and summing up and introducing their heroic deeds is a means of living education. This raises a problem. We cannot sit in our offices, waiting to eat unearned food. We should go deep into the practices in our regions, our departments and our units, and find those model persons who have creatively carried out the central authorities' line and principles. Then, we should use their irrefutable achievements to alert and stimulate the people. Third, the propaganda cadres themselves, including all leading party and government cadres, should be people who, "wishing to work with iron, must be tough themselves," like Ma Shengli. If we say that we do not need to engage in practice, but demand that the masses do, it will not be strange if people are "indifferent."

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CSO: 4004/11

SOME COMMENTS DERIVING FROM THE TURNING ABOUT OF A BIG SHIP

Beijing RED FLAG in Chinese No 20, 16 Oct 85 pp 45-46

[Article by An Qihong, secretary of the CPC Committee of Nanchang Diesel Engine Plant]

[Text] During the economic structural reform, many large and medium-sized enterprises find that "it is difficult for a large ship to turn about." There are two levels of meaning in these words. The direct meaning is that it is difficult for a large enterprise to change the orientation of its products, but its more essential meaning is that it is relatively difficult to stimulate a large enterprise or for a large enterprise to switch from a production type of operation to a development type of operation. Generally speaking, a small enterprise is small-scale, shoulders a light burden, and has flexible management. When there is a relatively great change in the relation between supply and demand in the market, it can relatively quickly change the orientation of its products. This is the strong point of small enterprises. However, does this mean that it is difficult to stimulate our large and medium-sized enterprises when new conditions arise? How are we to view the advantages and disadvantages of our large enterprises, which shift their orientation slowly, like big ships?

Our Nanchang Diesel Engine Plant is a factory which serves as the backbone of our country's internal combustion engine industry. A few years ago, we also encountered the problem related to the "turning about of a big ship." In 1982, market demand for agricultural machinery for which we are the chief supplier of engines, as well as parts, fell sharply. Correspondingly, our products were stockpiled, our capital was locked up in the products, our production costs rose, and our profits were reduced. We felt helpless in the face of this situation. A plant with over 4,000 employees yielded an output value of only 20 million yuan and earned only 2 million yuan in profit. As the economic structural reform deepened, the decisionmaking power of our enterprise was expanded and its vitality strengthened. Gradually, our big ship has turned about, and been able to continue to expand the scope of its service and to stimulate the management of its production. Compared with 1982, in 1984 its output value rose by 75 percent and its profit doubled. This year, we have drawn up a new fighting target of increasing our output value and sales simultaneously by 40 percent and raising our profit by 45 percent. After years of groping, we have gained an initial

understanding of the advantages and disadvantages of a large enterprise which shifts its orientation slowly like a big ship.

1. There are both advantages and disadvantages for a large enterprise which shifts its orientation slowly like a big ship. When a large or medium-sized enterprise is in a passive position, the disadvantages are very clear. It shoulders a heavy burden, incurs great costs and has many production links, and takes a long time to change its products. However, it has advantages in terms of its personnel, technology, equipment, and funds. This is precisely the case with our plant. As we have a large labor force and a large amount of equipment, our costs are relatively high. The daily fixed cost is over 50,000 yuan, which does not vary whether we continue or halt production. The annual depreciation provision is over 3 million yuan. Because of the decline in production and sales in 1982, the comparative costs of our products rose by 25.7 percent. Under these conditions, it was indeed questionable whether we would be able to stimulate our plant. On the basis of making a conscientious analysis of the situation inside and outside our plant, we unified our understanding. On the one hand, we admitted that there were difficulties for a big enterprise, but, on the other hand, we also saw that a big enterprise also has its advantages. Our factory had a relatively large capacity for developing its diesel engine products, the quality of its products was relatively stable, and it possessed all the necessary equipment. All these were its strong points. We had to give full play to these strong points and overcome our weak points. Only by so doing could we stimulate our enterprise. In order to give play to our strong points and avoid our shortcomings, first, we have given play to our strong technical personnel and made efforts to develop new products. We organized our engineers and technicians to continue to develop marketable new products in the light of market demand, and thus vigorously expand the scope of our diesel engine production services. We have thus switched from providing engine parts for agricultural machines only to providing engines for various sectors of our national economy, including the construction industry, transport, forestry, agriculture, fishery, and the energy industry. Second, we have brought into play the strong points related to our manufacturing processes. We have made efforts to improve the design, manufacture, and technology of our products, and thus further improved the quality of our products on the existing foundation. Third, we have given play to the strength of our financial resources. Our plant has a relatively large amount of funds for its renewal and transformation. After allocating funds necessary for equipment renewal, we have concentrated our funds on our technological transformation and thus increased the variety of our products and raised their technological level and quality. By so doing, we have continuously developed various kinds of products and opened up new markets.

2. These advantages and disadvantages can be changed into one another. Under certain conditions, an advantage can be changed into a disadvantage and vice versa. Generally speaking, a large or medium-sized enterprise is provided with better personnel, technology, equipment, and funds. This ought to be regarded as an advantage. However, if the enterprise is poor at adapting to changes in the market situation, this advantage will be changed into a disadvantage. Then it will not be able to give play to its advantage

of concentrated manpower and technology, will have to pay wages as usual, will be unable to fully utilize its equipment, will have to make the same provisions for depreciation as usual, will have a slow turnover of funds, and will have to pay interest on locked-up funds. All these things will become too heavy a burden on the enterprise. Conversely, under certain conditions, some disadvantages of a large or medium-sized enterprise can be turned into advantages. For example, as the enterprise is big, the management is complicated, and there are many links in the management, this is likely to cause waste. However, as long as we strengthen our management, we will be able to tap the latent potential. A large enterprise has many levels of management and is therefore inflexible. However, if we divide up the enterprise into small accounting units, transferring some power down to its branch factories and workshops, then the various branch factories and workshops will be stimulated. By so doing, the enterprise will acquire the flexibility of a small enterprise in addition to the advantages inherent in a big enterprise. Will it not thus be better than a small enterprise? Over the past few years, our factory has begun to change its disadvantages into advantages in two ways. First, we have tapped our internal latent potential. We have carried out value engineering, quantitative analyses of costs and profits, network technology, and other methods of modern management and thus reduced the employment of funds, strengthened our management over materials and goods, and reduced consumption and expenditure. Second, we have increased its internal vitality. We have actually implemented the economic responsibility system level by level downward, streamlined its management, transferred power downward, strengthened the accounting work of its workshops, transferred to its branch factories and workshops nine aspects of power, including the power over distribution, punishment and reward, the conducting of outside business transactions, the appointment and dismissal of cadres, and the readjustment of the types of work in production. All this has enabled the branch factories and workshops to give better play to their staffs' and workers' initiative, and sharply raised their attendance rates, the rate of utilization of work hours, and the rate of utilization of equipment. Through these efforts, some unfavorable factories have gradually been turned into favorable ones, the enterprise has been stimulated step by step, and its profitability has improved.

3. Internal conditions are the key to giving play to advantages, avoiding disadvantages, and turning disadvantages into advantages under certain conditions. Certain external conditions are necessary to stimulate a big enterprise and turn its disadvantages into advantages. For example, the transfer of power to the enterprise by the state, the general mood of society, the rationalization of the economic levers such as the burdens on the enterprises, prices, and taxation. Over the past few years, the state has gradually transferred power down to our large and medium-sized enterprises and thus provided external conditions for their invigoration. Under these circumstances, internal conditions have become the decisive factor, and the ability of a large or medium-sized enterprise to carry out courageous internal reform becomes a key factor in its invigoration.

For a long time, our large and medium-sized enterprises relied on the upper levels for their supplies of materials and goods, obeyed the plans issued to

them by the upper levels, and relied on the upper levels for the sales of all their products. The enterprises were in fact in the position of being subordinate product makers to the upper-level organs. They did not need to know about the market and needed only to follow the instructions of the upper levels in carrying out their production. The management methods in these enterprises were closed, and they were geared to internal affairs and implementing instructions from above. Under the current conditions, the position of the enterprises has changed. An enterprise has become a relatively independent commodity producer, instead of a producer subordinate to the upper-level organs. As a result, the entire old management system has become unsuitable. By requiring a large or medium-sized enterprise to look inward, we mean that it should see the problems in its internal management and should make a series of global changes. At the beginning of last year, our factory coordinated with the Jiangxi Provincial Economic Committee to carry out a global investigation and analysis of the internal and external factors affecting the quality of our enterprise. Through this, we discovered that the major factors hindering giving play to our enterprise's advantages were internal ones, such as the management thinking, system, and regulations, and even the methods and means of management; in other words, whether these internal factors satisfied the demands of the development of the situation.

Therefore, we had to promptly and courageously reform all these internal factors and thus stimulate all the internal levels and sections. Concerning our management thinking, we have paid attention to the renewal of our ideas and fostered a sense of the market, competition, and value; concerning our management system, we have transferred our power down to workshops and established a business-orientated, open, and highly efficient organizational system. Concerning administration regulations, we have carried out a complete set of reforms in our regulations related to personnel matters and cadres in order to enable them to give full play to people's initiative and creativeness. Concerning our management methods, we have switched from traditional methods to the extensive application of modern management methods. The reforms have enabled our enterprise to better tap its potential. An unprecedentedly excellent situation has emerged in our production and management this year.

In short, we have charted a path for the development of our large and medium-sized enterprises in the powerful current of our economic structural reform. Now it is time for us to rely upon our own internal impetus to correct the direction of our development and to put it into high gear. We must look within and be courageous in conducting our reforms and in blazing new trails with a conscientious pioneering spirit and a dialectical and scientific attitude, strengthen the vitality of our enterprises in an all-round manner, and forge ahead toward our lofty goal.

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A TRUE RECORD OF GUANGZHOU'S REFORM AND OPENING UP--AN INTRODUCTION TO 'THE NEW GUANGZHOU IN THE COURSE OF REFORM AND OPENING UP'

Beijing RED FLAG in Chinese No 20, 16 Oct 85 p 47

[Article by Ma Jinrong [7456 0193 2837]]

[Text] The "Collection on Reform in China's Cities" with a personal inscription by the president, Comrade Li Xiannian, has begun publication!

The "Collection on Reform in China's Cities" is being jointly edited by the RED FLAG Editorial Department and the relevant departments of various famous cities. It is the first large-scale collection to be published by RED FLAG Publishing House. The collection faithfully records the experiences and successes of a number of advanced cities in implementing the policies of reform, opening up, and enlivening. Through words and pictures it introduces the readers to the new steps and new trends in the reforms in these cities. The first volume of the collection, "The New Guangzhou in the Course of Reform and Opening Up," has already been published. It uses eloquent facts to provide a lively introduction to the new successes and new experiences in the reforms being carried out in Guangzhou.

This book has a novel style and its own characteristics. Both the text and the illustrations are excellent and there is a Chinese-English glossary. The 256 pages of the book are all printed in color. It realistically records the new situation which has appeared in Guangzhou's reforms. The summing up of experiences is blended with historical records and the collection of materials provides much information. Readers can use this as a library of collected materials or it can serve as a commemorative volume.

The book contains 80,000 characters, over 700 photographs and is divided into five major sections:

Section 1--"Guangzhou--Southern Gateway to the Motherland." This section provides a broad outline of Guangzhou's history and the present situation.

Section 2--"The New Situation of Guangzhou's Opening Up." In 100-plus pages, this section provides a full and accurate introduction to the use of foreign funds in Guangzhou, the large number of enterprises which have engaged in speedy transformation, and the hotels, shops, and buildings which have been opened.

Section 3--"A New Situation in Guangzhou's Relations Within the Country." This section fully reflects Guangzhou's characteristics as a place with "foreign ties and domestic relations," with radiating strengths both domestically and abroad.

Section 4--"New Changes Brought About by Guangzhou's Reform of the Economic Structure." This section introduces the Guangzhou Sewing Machine Industrial Company which has the highest production and sales figures in the nation and how this company pays attention to talent and is good at developing the talent it finds. It also introduces the nationally famous Baiyunshan Pharmaceuticals Factory and close to 30 other enterprises which have simplified administration and delegated authority, and greatly increased vitality. There are construction and park enterprises which have been brave in carrying out experiments in reforms which combine economic benefits, social benefits, and environmental benefits. There are scientific research departments which have dared to break through all conventions and positively developed new technology. There are village and township enterprises which have taken the lead in readjusting the rural production structure, and so on.

Section 5--"Beautiful Guangzhou Has Developed a New Spiritual Plane Among the People." This section reflects the modern virtues of the Guangzhou people who dare to face reality squarely and vow to work energetically to realize achievements, vigorously carry out reforms, and blaze new trails.

Because the contents of the book are very rich and it is artistically written, readers will feel it is a work of art. Reading this book will not only provide a greater understanding of new Guangzhou as it undergoes reform and opens up, but will also leave one with the conclusion that Guangzhou's reforms and opening up are succeeding and that China's policies of reform and opening up are completely correct.

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A NEW FLOWER IN HISTORICAL LITERATURE--PLEASURABLY READING 'FRAGRANT GRASS BENEATH THE SETTING SUN,' THE FIRST VOLUME OF THE NOVEL 'WILLOWS BY THE WHITE GATE'*

Beijing RED FLAG in Chinese No 20, 16 Oct 85 p 48

[Article by Zhang Lei [1728 4320]]

[Text] The place and role of historical literature should not be underestimated. This is not only because it has its own characteristics, that is, it uses an art form to present the yesterdays of mankind's history, but also because such works are loved by the vast numbers of readers. Also, they are able to provide much knowledge to people and raise people's cultural attainments. They can inculcate into contemporary man those superior ideologies and concepts (such as patriotism) which have formed over a long period, thus enriching their spiritual world and making it more lofty. In this sense, historical literature is of great benefit in the building of socialist spiritual civilization.

"Willows by the White Gate" is a fine work of historical literature of this nature and I was pleased by its publication.

The reflection of historical facts is clearly the basic demand of historical literature. Artistic invention is necessary, but it should fall within the realms of historical possibility. To think that one can fabricate as one wishes in respect of how people acted in ancient times, is a misunderstanding of historical literature, and goes against the minimum requirement for historical literature. One of the main superiorities of the historical novel "Willow by the White Gate" is that it faithfully reflects an important period in the long course of China's feudal society--the period from the end of the Ming Dynasty to the beginning of the Qing Dynasty. It depicts the mental outlook of various types of people in the literati-official class and sketches the winding road they had to traverse as society underwent "earth-shaking" changes. It also portrays the social conditions which allowed the emergence of outstanding enlightened thinkers with clear consciences. Such portrayals are very difficult to achieve and are thus deserving of praise. The "strict historicity" of the institutions, rites, customs, languages, and

*This work was written by Liu Sifen [0491 2448 1164] and was published by ZHONGGUO WENLIAN CHUBAN GONGSI in 1984.

dress depicted is difficult to achieve in itself. But mastering the essence and trends of the times so as to provide a perspective on the people's innermost thoughts must have involved much study, pondering, and assessment, and must have required repeated ideological exploration.

That the author was able to grasp the pulse of the times in a period when there were such acute changes, and that he was able to portray Huang Zongxi, Qian Qianyi, Mao Bijiang, and other representative persons in the political and literary spheres so convincingly was certainly not accidental. Comrade Sifen is well acquainted with literature and history. He has done serious research into various aspects of life during the latter part of China's feudal period and knows a great deal about the sphere of consciousness formation at that time. If he lacked this accumulated knowledge and attainments, he would have been unable to reflect historical reality. From this, we can see that while authors should be scholars too, this is a particularly necessary demand in writing historical literature works.

Of course, stressing the authenticity of historical literature does not mean that we can neglect the artistic skills involved. A work of historical literature, if it lacks aesthetic value, can hardly avoid being like a dry textbook extract. "Willows by the White Gate" has achieved pleasing results in this area, as it has quite high aesthetic value. The work displays wide aspects of social life and portrays a large number of vivid and lifelike characters. For example, Huang Zongxi's diligence in study and thought, and his striving and exploring, Chen Zhenhui's cool-headed devotion to important matters, Wu Yingji's bitter hatred, Ruan Dacheng's unused abilities... Even each of the famous Jiangnan prostitutes Liu Rushi, Dong Xiaowan, and Gu Mei are given their own characteristics by the author.

It should be pointed out that the embodied temperance and refinement of the novel is one of its important artistic characteristics. The author has rejected direct, shallow, open methods of portrayal, dismissed conceptualized descriptions and done everything possible to avoid the problem seen in many novels, both old and new, where positive and negative characters are displayed in a biased and simplistic way. What has been achieved is thus neither excessive, nor rough. Take for example, the main characters of the book, Qian Qianyi and Liu Rushi, who were very complex people. Qian Qianyi was an important person in the latter period of the Donglin clique. He had been minister of rites and was very prominent in both the administration and literary spheres. Later, he surrendered to the Qing. The author does not simplify him, but fully brings to light the contradictions in his character, describes his talents and scholastic achievements, and dimly (but keenly) points out his vulgar points. The portrayal of Liu Rushi is also outstanding. She is rich in talent and emotions, but bold and formidable. She is a famous prostitute, but has political ambitions. The author is clearly ingenious in his concepts and combines beautiful language, a fine style, and a wealth of emotions. The work has clear national characteristics and also encapsulates the freshness of a modern novel.

The shortcoming of the novel is mainly that the depiction of the social background is insufficient in both depth and breadth. There is no doubt that more social information would have been of benefit in giving more depth to the work and would have strengthened its artistic effect.

THE RECORD OF THE SUCCESSES OF SOCIALISM IN CHINA--AN INTRODUCTION TO THE BOOK 'THE DISSEMINATION AND PRACTICE OF SOCIALISM IN CHINA'

Beijing RED FLAG in Chinese No 20, 16 Oct 85 inside back cover

[Book review by Wang Shiyi [3769 0013 0034]]

[Text] Everybody longs for an ideal state. For over 100 years, progressive Chinese people have conducted explorations and struggles and given their lives in search of an ideal and finally discovered socialism and thus embarked on a broad road. The book "The Dissemination and Practice of Socialism in China" which was edited by Chen Hanchu and published by the "Chinese Youths' Publishing House," provides useful historical knowledge in this area.

This book begins by briefing the readers on three ideological trends of a utopian turn in modern China. Hong Xiuquan borrowed the idea of God conducting a revolution from the Christianity and wanted to establish a "kingdom of heaven on earth." Kang Youwei designed a "world of great harmony" and carried out a reform to realize it. Sun Yat-sen put forward the doctrine of democracy and fought all his life for the prosperity of our country and the happiness of the people. However, they all failed to find a way that led to an ideal state. The revolutions they led all failed. History has proved that the theories that they practiced could not save China.

"The degree that a theory is realized in a country determines the degree that this theory satisfies the country's needs." ("Collected Works of Marx and Engels," Vol 1, p 462) The reason socialism could be disseminated and prevail in China was because China needed it. The book lists large amounts of historical facts to expound on this process of history. At the end of the 19th century and the beginning of the 20th century, some bourgeois scholars and politicians made a fragmentary narration on socialism. The Russian October Revolution shook the world and socialism began to spread in China as a proletarian revolutionary theory. It was disseminated widely through the debate with social reformism and anarchism. After the founding of the CPC, the theory of socialism developed and became a revolutionary movement. Through arduous struggle, filled with twists and turns, and under the guidance of Mao Zedong Thought, this revolution finally succeeded and a brand-new socialist system was established. At present, we are striving to build socialism with Chinese characteristics. Throughout this historical

process, we have integrated the basic principles of Marxism-Leninism with the actual practice in China and followed our own path. An understanding of this section of our history will enable the readers to further understand the truth that "only socialism can save China," and thus more greatly love and treasure the hard-won achievements of our revolution.

The book was written for youths. It mainly expounds on history, lists much material, and is written in a vivid style. There are many sections narrating historical facts in the book. For example, the sections about how Li Dazhao led young people in studying Marxism at "Kangmuyi study," and how Chen Wangdao translated the "Communist Manifesto" day and night at a rural cottage in the winter. There are also many pictures and photographs to make the book more interesting.

Since the founding of the PRC, socialism has been disseminated and practiced in China more deeply and widely than before liberation. The book's narration on history since the founding of the PRC is relatively too simple. This is its shortcoming. However, as a whole, it can yet be regarded as a useful book that provides knowledge about history. It will help young readers get enlightenment from history, and strengthen the faith that as long as we follow the path of integrating the fundamental principles of Marxism-Leninism with the actual practice in China, we will certainly be able to build socialism with Chinese characteristics and thus come nearer to our ideal.

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